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THE UNIVERSITY OF ALBERTA

A Study in the Evolution of Realism: The Apologia of a Mercantilist

by

Dennis Westergaard

A THESIS

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ABSTRACT

Political realism in the study of international relations has evolved largely in response to liberalism. The effect of this evolution has been to weaken the realist tradition. This weakening trend has been the result of the induction of liberal ideas on the separation of politics and economics. Political realism prior to this induction, known as mercantilism, was equally relevant to both issues of high and low politics. The realist tradition is strengthened by an examination of its mercantilist past.

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A Study in the Evolution of Realism: The Apologia of a Mercantilist

Part I.

1. Introduction

> In the recent study of international relations, political realism has, apparently, had as many supporters as detractors. Nonetheless, there seems to be a growing tendency to treat the categories of political realism as if they were going the way of all flesh, destined to be replaced by system theory, transnationalism, Marxist structuralism, critical theory or whatever. One difficulty with this judgement is that political realism is not a single theoretical entity which can be refuted by single disconfirming instances. Nor is it an understanding of the subject rooted in the views of such well known exponents of this school as Hans Morgenthau, Kenneth Thompson, Martin Wight, Sir Herbert Butterfield, E. H. Carr or Raymond Aron. On the contrary, political realism is a conception of politics which stretches back to the great Indian thinker Kautilya and in fact constitutes a many-mansioned tradition of thought about international relations.[1]

This is an essay concerning the nature of political realism in the study of international relations. It is by no means an exhaustive inquiry, but rather focuses instead on only a few of the many mansions within the tradition. Specifically, two which I maintain are most relevant to the present debate concerning approaches to the study of international relations are studied in considerable detail: mercantilism and the realism exemplified by the work of the above mentioned scholars, who are paragons of the mansion which might be referred to as the modern realism of the post-war era. Neorealism, considered by many to be another mansion within the realist tradition, is also considered tangentially. The centrality of modern realism and neorealism in the present debate is obvious enough. The basic tenets of modern realism, that

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[1] Roger D. Spegele, "Three Forms of Political Realism," *Political Studies* 33, no. 1 (June, 1987):, pp. 189-210.189.

> (a) states are the key units of action; (b) they seek power, either as an end in itself or as a means to other ends; and (c) they behave in ways that are, by and large, rational, and therefore comprehensible to outsiders in rational terms,[2]

virtually defined the discipline from the end of the war until the 1960s, and the pre-eminent realist among the modern realists, Hans Morgenthau, is often referred to as the father of the discipline. For its part, the mechanistic neorealism exemplified by Kenneth Waltz has certainly generated a large volume of debate within the discipline, and continues to do so. The relevance of mercantilism is a little more complicated. I do not consider the brand of mercantilism current in debate, what is commonly referred to as the 'neomercantilism' of commentators such as Fred Block, Robert Gilpin, and Stephen Krasner. Although these neomercantilists offer penetrating insights[3] into the nature of international relations, primarily through their focus on the nature and importance of 'state' in international economics, they do not add to our understanding of political realism as such. The brand of mercantilism which I do consider is the original mercantilism of old, distanced from our modern realism (and hence the current debate) by many years, but bound to it through the liberal doctrine.

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[2] Robert O. Keohane, ed., from the intro. to *Neorealism and Its Critics* (New York: Columbia University Press, 1986), 7.

[3] For a brief survey of this contribution, see David J. Sylvan, "The Newest Mercantilism," pp.375-93 *International Organization* 35, no. 2 (Spring 1981).

This last point requires some explanation. Modern realism was to a very large extent defined in terms of opposition to liberalism, alternately termed as idealism or utopianism, as I argue in section three below. This is perhaps a less than stunning revelation. What is less well known is the origins of the liberalism to which modern realism addressed itself. This was in its turn largely a rational construct established in terms of opposition to the prevailing ideas commonly held by most people in the European states system concerning the general nature of the world, and this set of commonly prevailing ideas is referred to as mercantilism. The modern realists, therefore, logically should have been the standard-bearers of an intellectual 'return-to-mercantilism' movement. But this did not happen; something got lost in the shuffle, in the motion from one opposition to another, so that when the modern realists had said their piece on the nature of international relations, they had not come full circle back to the mercantile position. What they had lost was the unified mercantile conception of the world - as I argue below, a thing of vital import. The reason for this loss is that the modern realists responded to the liberals *on their own terms*, by admitting of the distinction between 'politics' and 'economics'.

This move needlessly weakens the realist tradition of thought. As 'economic' issues push their way to the foreground in international relations, as they inevitably do in times of widespread apparent peace, realism seems increasingly irrelevant because of its 'political' character. Moreover, realist analysis of 'political' issues is less than adequate, to the extent that their 'economic' dimensions are neglected. What is thus offered here is a 'fixing realism' paper animated by an effort to expunge it of this artificial distinction - in short, an account of the actual richness of realism. The central thesis is that realist thought is every bit as applicable to peaceful international relations as it is to situations where the threat of war is more readily apparent. Of course, the modern realists have long claimed this, but as the discipline developed many came to question the worth of the claim. What this paper does is to reassert this claim and provide arguments as to why it is a valid one, largely through an analysis of the relationship between 'economics' and 'politics'.

The plan of the paper is as follows. Broadly speaking, Part II chronicles the evolution of realist thought from mercantilism to modern realism, clearly showing how the distinction between politics and economics was inducted into that tradition of thought, and how this changed realism, and how this change inevitably (as I argue) made modern realism vulnerable to the attacks which would be increasingly levelled at it as the tensions of the cold war receded; Part III shows realism free of this artificial distinction as equally applicable to international relations characterized by the salience of 'military-political' issues as those characterized by the salience of 'economic-interdependent' issues, and hence better able to handle its critics; Part IV offers a summary and conclusions.

Part II contains two sections: one focusing on mercantilism and the other on modern realism. In order to conceive of the world in a manner free from the distorting effects of the artificial distinction, it is necessary to travel back in time so as to get behind it, back to an era when people thought about the world very much differently than they do now. This is what section two does, attempting to provide a sense of the meaning of mercantilism, at least insofar as mercantile ideas pertain to international relations. This necessarily involves an exposition of the relationship between mercantilism and liberalism, and a demonstration of its conflictual nature. Section three will then discuss realism as a response to liberalism. The argument is made that liberalism in fact heavily influenced the realism which emerged, even though modern realism to a large extent was explicitly constructed in terms of opposition to liberalism. As a result of this analysis, the relationship between mercantilism and modern realism is made clear: both are guided by the same central theme: the importance of strife in human affairs, but different insofar as modern realism concerns itself only with 'political' issues. The weakening and limiting effects of the acceptance of the artificial distinction are discussed.

Part III shows a strengthened realism, free from the burden of the artificial distinction. It demonstrates the equally efficacious applicability of such a realism to wide-ranging phenomena in international relations in three sections: one concerning 'military-political' relations, one concerning the unity of politics and economics, and one concerning 'economic-interdependent' relations. Section four establishes the importance of strife in human affairs and the resulting central importance of the military constellation of forces in existence at any given point in time as a determinant of the character of international relations. It provides a sort of framework, or set of basic ideas about international relations which should hold true whether the focus of inquiry is 'high' or 'low' politics. In this section the importance of two central features of realist thought, state and power, is emphasized and explained in terms of the mercantile conception of state as orderer. Section five argues against the supposition that different approaches to the study of international relations are needed whenever a different set of issues push their way to the foreground. Without explicitly addressing the character of international 'economic' relations as such, and the interdependencies which these create, section five points to reasons why we should suppose rather that these issues are best considered in the same basic way as are 'military-political' issues. Section seven then proceeds in this endeavor, insisting on the centrality of strife in international 'economic' relations and the concomitant importance of the core realist concepts of state and power in any consideration of 'economic-interdepent' issues, and demonstrating that these concepts are important for the exact same reasons as they are in any consideration of 'military-political' issues.

Part II.

2. The Meaning of Mercantilism

As both a system of thought and a practical approach to life, mercantilism seems to have touched on international relations, domestic affairs, and basic issues of human morality. The latter two will not be explored as ends in themselves, however, but only in terms of how they relate to the former. My purpose here is to convey a sense of the meaning of mercantilism in its international context, in order that it may be more effectively employed in the study of international relations. There are some problems involved in understanding the subject which are unique to it, and I will begin with these, as they seem also to indicate where 'the roots of the thing' lie. This leads one to a consideration of the doctrine of liberalism. More specifically, it appears that, although mercantilism pre-dates liberalism by a few centuries, it is no longer possible to understand the former without understanding the special relationship between the two. Settling such problems will also provide context for the analysis of mercantilist prescriptions for state action, which will be the focus of the remainder of the paper.

The term is used at will, but typically only with the most superficial sense of its meaning. For example, prior to the Great War, and then again with renewed vigour in the interwar years, learned men everywhere deplored the increasingly 'mercantile' activities of states, and pleaded for 'rationality' in foreign policy. But they were merely lamenting the belligerency of states, and as such their musings were for the most part irrelevant both to the course of events and our understanding of them. Certainly the simplistic equation of mercantilism with belligerency added nothing. Mercantilism provides a means of understanding belligerency, and arguably a good one, but it is not synonymous with it. Moreover, there is no inconsistency between 'mercantilism' and 'rationality', as the utopians implied, and as many still do. More modern usage seems to be slightly more sophisticated, typically denoting nationalist economic foreign policy within the context of vague ideas about the national pursuit of 'power and plenty'. Here again, however, one gets only a peripheral sense of the subject. While it is true that what has been called the 'mercantile era' was characterized by the prevalence of these policies, to call them mercantile when they appear in the contemporary world adds nothing to our understanding of that world if it is not understood why the mercantilists acted the way that they did. To gain anything at all from the mercantilists, one must try to understand their thinking - to catch a glimpse of the world as they saw it.

Attaining this is no easy thing. They stretch over no fewer than three centuries[4]. They could be found in any European country, and later in parts of the new world. They were pamphleteers, politicians, and philosophers. It is with these wide ranging and disparate sources that one must begin the analysis. That it is necessary to search for the meaning of mercantilism in this manner at once reveals something about its nature. There is no definitive manifesto on mercantilism, no readily identifiable school of mercantile thought, because these people were no doubt unaware that they were part of any sort of tradition. In fact, the very term itself was not even invented until the latter years of its descendancy. The individual mercantilist may have had some dim idea that others probably held the same basic beliefs as he did, but certainly not because of any sense of commonality with them - only because it would have seemed that there was no other way to think of the world. "The truth," as A.V. Judges has observed, "seems to be that there was never a living doctrine at all."[5] It is, at any rate, not a philosophy of action in the sense that, for example, liberalism or Marxism are. These both speak of some better ultimate state of man, and the methods whereby this might be attained. Mercantilism does not; it is, for this reason, thoroughly uninspiring. There was never an ounce of righteousness to it, no high priests claiming to represent its soul. Not one bloody war ever raged over its principles, and not one wide-eyed fanatic ever died in its cause. And when at last it faced its demise, no one came forward to speak for it, quite simply, because no one knew it existed.

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[4] It is commonly held that the age of mercantilism begins with the tentative emergence of the state system and demise of medieval thought and ends with the particular formulation of the doctrine of liberalism given by the classical economists in the late eighteenth century. See, for example, Dietmar, Rothermund, *Asian Tradfe and European Expansion in the Age of Mercantilism* (New Delhi: Manohar, 1981), ch. 1.

The fact that the supposed practitioners of mercantilism were not cognizant of its existence has led a few students of the subject to conclude that it never existed at all. A. V. Judges is one who has very convincingly emphasized this argument. As a result, he finds within, for example, legislation of the day no motivating factor other than "a fine miscellany of vested interests."[6] No real coherent theory, it is held, guided policy, and such theoretical works as have at various times been labelled 'mercantile' are so wide ranging and even conflicting that, "[i]n reality, of system there was none."[7] Judges stipulates some criteria which must be met if some theoretical system is to be more real than imagined

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[5] A. V. Judges, "The Idea of a Mercantile State," *Transactions of the Royal Historical Society,* 4th ser., 21(1939): 36.

> One of the first things we require of a system is that it should be capable of systematic demonstration; while an 'ism', to be worthy of serious consideration must offer a coherent doctrine, or at least a handful of settled principles.[8]

Judges found mercantilism to be sorely lacking in this regard, because, I believe, of the manner in which he approached his subject matter. He describes his essay as "almost entirely destructive in intention,"[9] and the essay is biased accordingly: he searched the disparate sources mentioned above for evidence of differences of thought and action so as to show the fallacy of 'mercantilism'. This is, of course, easily done. Not that there is *necessarily* anything wrong with proceeding in a biased fashion; some means of discriminating the mass of information is required if anything is ever to be said about such a wide ranging subject. This paper is also biased, but in the opposite sense. It is the similarities, the constancy of thought over three centuries, across continents, and through vocations which, if they exist, make it worthy of the status of 'ism'; and it is the coherence of that thought which makes it a system. These are the things which this paper searches for; my intention is creative rather than destructive.

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[6] Judges, p. 41.
[7] ibid.
[8] ibid, p. 35.
[9] ibid, p. 59.

I do not belabor the issue of professor Judges' biases without reason, they provide valuable insights into the nature of mercantilism - insights without which we cannot proceed. He implicitly explained them as follows:

> The plea I wish to advance is that we should now consider ourselves absolved from the necessity of having to reconcile the conclusions derived from detailed researches into the antecedents and effects of edicts, statutes, and municipal bylaws, spread over the whole European and colonial field within a period of more than three centuries, with the *cannons of an imaginary system conceived by economists for purposes of theoretical exposition* [italics added] and mishandled by historians in the service of their political ideals[10]

By 'imaginary system', he means the received wisdom on the subject of mercantilism, and the economists he speaks of are those of the classical school, which are probably best exemplified by Adam Smith. To understand the sense of Judges' plea one must understand both that the classical economists were the first to arrive at a coherent conception of mercantilism and their reasons for doing so. It is a thoroughly pejorative conception, and the system so conceived was roundly condemned by Smith and the other classicals. Moreover, his many legions of disciples within the discipline of economics continue the condemnation to this very day. He did so then, and they do so now with a certain vengeance and zeal which is initially difficult to fathom. Adam Smith was, after all, the progenitor of a brave new philosophy concerning the nature of man, that of liberalism. Yet in his major treatise on the subject, *The Wealth of Nations* (1776), he finds it necessary to devote nearly a quarter of his energies, predominantly in Book IV, to a discussion of something he called 'mercantilism'. Now the first known usage of the term had occurred just thirteen years earlier[11]. Why the digression? In essence, Adam Smith created two systems of thought so that he could more convincingly extol the virtues of liberalism by way of comparing it to a system of thought which was obviously inferior in every respect, and which he maintained was in fact the historical alternative, mercantilism. In order to promote the liberal agenda, he had to demonstrate that his plan of action would be an improvement of the existing state of affairs, and this required a systematization of that state of affairs; for as D.C. Coleman observed of the strategy of Adam Smith: "Without systematization, no destruction; without destruction of the old, no promotion of the new."[12] It is twenty times more difficult to promote than to disparage. Moreover, the greater the originality of thought, the greater the likelihood that it would be considered irrelevant to practical men. This would have been an unacceptable risk for Adam Smith and the other classical economists; for they were thoroughly convinced that their utopia was attainable in this world, and not in the next. It was imperative to them that their new doctrine be clearly set out in terms of the existing order, so that every part of it could be clearly shown in contradistinction to some alleged corresponding part in that order. Judges has said of these theorists:

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[10] ibid, p. 58

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[11] Victor Riquettie wrote in a marginal note of his *Philosophie Rurale (1763)* concerning the "[a]bsurd inconsistency of the mercantile system." Quoted in Judges, p. 37.

[12] D.C. Coleman, ed., from the intro. to *Revisions in Mercantilism* (London: Methuen & Co. Ltd., 1969), 5.

> It was perhaps only natural that they should seek to strengthen the outlines of their own proposals by systematizing the theories which they discerned lurking behind the institutions which came under their fire. The dummy dragon they set up, articulated and endowed with organic functions by its indignant creators, had the fire of life breathed into it by the avenging angels themselves.[13]

Judges' essential contribution then is the realization that the typical conception of the subject is in the main one which was originated by the creative imagination of one very powerful mind, and, as a corollary, that mercantilism - both the 'dummy dragon' variety and (for reasons which will be made clear below) the 'real' variety - stands in contradistinction to liberalism.

Understanding the Manichean nature of the relationship between liberalism and mercantilism is crucial to an understanding of mercantilism. It provides one with an explanation of why the representation of mercantilism in mainstream English speaking thought is typically pejorative. Namely, that the mainstream ideology in English speaking countries is liberalism, and in a very real sense the worth of that ideology is dependent on the absurdities and incorrectness of mercantilism. This is true for two types of reasons, which may be classed as 'artificial' and 'real'. The artificial reasons correspond to the absurdities attributed to mercantilism, or to the 'dummy dragons' spoken of above. These include certain thoughts and policies lifted from the mercantile era which were purported to represent its essence. The importance of these absurdities to liberalism is that they demonstrate that any alternative ideas about the nature of man are nonsensical, that liberalism is the only rational approach to the world. I call these artificial because they neither represented the essence of mercantilism, nor were they absurdities, as is shown below. Because of their nonessential character, showing them to be false does not necessarily deal a death blow to the doctrine of liberalism, but only shows that liberalism has no exclusive claim on rationality. The real reasons are far more serious. They correspond to the incorrectness of mercantilism, and concern novel ideas on the part of the liberals about the nature of man. These novel ideas were and are fundamentally opposed to what had previously been mainstream thought, and it is in this latter sense that there exists a zero-sum relationship between liberals and mercantiles: to the extent that one is right the other is wrong.

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[13] Judges, p. 36.

The artificial reasons for the worth of liberalism - the absurdities of mercantilism - deal for the most part with prescriptions for state action. Liberalism calls for as little government intervention in the affairs of men as possible (the source of this policy prescription will be explicitly addressed below, when considering the real reasons for the worth of liberalism), and maintains that any doctrine which does not is absurd. As I am concerned with mercantilism in its international context, I will confine my analysis to absurdities in foreign policy and beliefs concerning international relations. My purpose here is to examine the rationality of these policies in light of the then contemporary experience.

Most absurdities seem to derive ultimately from the mercantile's rather static conception of nature. The most notorious of these is the alleged equation of wealth with money and hence bullion, and the consequent pursuit of bullion. As Jacob Viner observed in his classic study, 'Power Versus Plenty as Objectives of Foreign Policy in the Seventeenth and Eighteenth Centuries', the connection does "seem to imply a disregard on the part of the mercantilists for economic welfare."[14] Money is not a thing which is, in and of itself, valuable; it is valued only to the extent that it can be exchanged for things of value. The picture emerges of the mercantile state, chasing after stacks of gold and living in poverty. But it is not enough to simply make note of this, one must ask: why did the mercantiles behave in such a foolish manner?

Probably the quickest way to get at this issue is to consider their general approach to trade. This in its turn is also widely criticized, and I will address these important criticisms shortly. But these must be set aside for the moment: one cannot understand international monetary policy apart from international trade policy. The immediate objective of the trade policy of the day is perhaps most succinctly summarized in the maxim of that infamous mercantile, Thomas Mun, in his book of policy prescriptions, *England's Treasure by Forraign Trade* (1664): "The ordinary means therefore to encrease our wealth and treasure is by *Forraign Trade,* wherein wee must ever observe this rule; to sell more to strangers yearly than wee consume of theirs in value."[15] The basic reasoning behind this is that by exporting more than the value of imports the overall wealth of the country must increase, because the excess, "must be brought to us in so much Treasure; because that part of our stock which is not returned to us in wares must necessarily be brought home in treasure."[16] The goal was to increase national wealth, and the way to do it was to run a trade surplus. Then, as now, the evidence of a trade surplus was a payments surplus. Hence the original rationale for the equation of wealth with money.

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[14] Jacob Viner, "Power Versus Plenty as Objectives of Foreign Policy in the Seventeenth and Eighteenth Centuries" *World Politics* 1 (1948), 69.

This being the case, the nation with the greatest bullion reserves was obviously the most wealthy, and for this reason (among others) the reserves themselves came to be a policy objective. This idea of being the most wealthy, or having more gold than that particular group of nations, or in general that there was a rank ordering of countries in these terms and that it made a difference how you stood, was an important one; for they considered that, "what mattered was not the absolute quantity but the relative quantity as compared with other countries."[17] This relativity derived mainly from the fact that the quantity of money in the world (bullion) was thought to be a constant, and for the most part this was an accurate assessment of the situation. At any given time there was some stock of bullion in the world which could be expected neither to increase nor to decrease in any predictable fashion. From this it follows that one country could gain in bullion (and, by association, wealth) only at the expense of another. Thus, the nation's wealth came to be assessed, not simply by the size of its stock of precious metals, but by the size in relation to that of other nations.

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[15] Thomas Mun, *England's Treasure by Forraign Trade* (London: Thomas Clarke, 1664), Reprinted at Oxford by Basil Blackwell (1959), 5.
[16] Ibid.
[17] Viner, 69.

This relationship which the mercantiles correctly perceived to exist between nations in terms of bullion holdings was not thought to be unique, but part of a larger general pattern of existence. All human relationships came to be seen in zero sum terms, unless there was some reason to think otherwise, and this conception of nature carried them to heights of folly which seem in retrospect astonishing. If one country's declining wealth necessarily meant that at least one other country was experiencing rising wealth, it was only natural to assume that any misfortune visited on a given nation would entail a corresponding benefit elsewhere. In the most general terms, benefit and misfortune were mutually dependent and directly proportional. So it was that plague or pestilence in a foreign land was generally considered cause for rejoicing, for it was thought to have an effect at home equivalent to what we would now call an increase in living standards or national security.[18] But the reasons for such beliefs go far beyond the inferences drawn from the gold relationship, they derive ultimately from the general character of life during the mercantile period. The world was very much a static place in those days. Consider, for example, its demographics: population growth rates and mean age hardly changed, emigration was virtually unheard of. There were few new frontiers and they were opened with the greatest difficulty. General economic activity was more or less constant. As a result, demand conditions were considered typically inelastic, and not amenable to expansion.[19] In such a situation, significant change from within is not possible, at least not in any immediate sense. And so, in order to improve the wealth of the nation or its security, the mercantiles could only look outward, towards external demand, external markets, external resources - outward for wealth and security. The international situation in macro was, of course, no more dynamic than the internal one, as that great mercantile, Colbert, observed of the European state system when he noted that shipping and trade could not be expanded, "since the number of people in all the states remains the same and consumption likewise remains the same."[20] But at least in the international sphere there was something to be *seized* by the state which was crafty and diligent enough, something to strive for, which would enhance the national interest. If the wealth of the world could not be increased, it could at least be redistributed. To the extent that this assessment was accurate, it is entirely true (as in the more specific gold case) that one nation's gain necessarily involves a loss somewhere else. Given this state of affairs, it is understandable that the mercantiles should hold the obverse to be true as well. At any rate it is most certainly not an absurdity. The most that can be said is that they made a factual error concerning this one particular aspect of international relations; this does not constitute grounds for the dismissal of the entire mercantile approach.

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[18] Ibid, 69-70.

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[19] D. C. Coleman, "Eli Hecksher and the Idea of Mercantilism," *Scandinavian Economic History Review* 5, no. 1 (1957): 18-19

[20] As quoted in Coleman, 19.

This way that nations looked on the world provided the general orientation for their approach to international trade. These ideas and the trade policies they inspired drew especially vehement condemnation from the classical economists. Consider the following attack of Adam Smith, and the splendidly righteous indignation of his words:

> By such maxims as these, however, nations have been taught that their interest consisted in beggaring all their neighbors. Each nation has been made to look with an invidious eye upon the prosperity of all the nations with which it trades, and to consider their gain as its own loss. Commerce, *which ought naturally to be, among nations, as among individuals, a bond of union and friendship,* [italics added] has become the most fertile source of discord and animosity. The capricious ambition of kings and ministers has not, during the present and preceding century, been more fatal to the repose of Europe, than the impertinent jealousy of merchants and manufacturers. The violence and injustice of rulers of mankind is an ancient evil, for which, I am afraid, the nature of human affairs can scarce admit of a remedy. But the mean rapacity, the monopolizing spirit of merchants and manufacturers, who neither are, nor ought to be, the rulers of mankind, though it can not perhaps be corrected, may very easily be prevented from disturbing the tranquility of any body but themselves.[21]

This eloquent critique demonstrates another manifest absurdity of mercantilism: that nations are drawn towards strife through their trade relationships (because of misguided thoughts and practices), when the trade relationship could instead be a source of comity among nations. But some other things are evident in this passage which make it worthy of special consideration. Note that, though the kings and ministers be men of capricious ambition, whose visitation on mankind is an ancient evil, he acknowledges that there is probably no remedy for this situation. Nowhere does Adam Smith or any other liberal ever advocate anarchy, and this will have important implications for the laissez faire doctrine. Again, his agenda is to radically alter the way that people think and act, but to do it for the main part within the framework of existing institutions. This is accomplished by imploring society to turn on those 'dummy dragons', the merchants and manufacturers. Most important of all, however, is the reason given for the attack, the notion that commerce, "ought naturally to be, among nations, as among individuals, a bond of union and friendship[.]" Why is that, why *by nature?*

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[21] As quoted in Judges, 70.

It is not immediately obvious why, and in fact to answer one must have recourse to a certain theory concerning the nature of human relationships which produces the desired result. This then is the real reason for the worth of liberalism alluded to above, the doctrine's contribution of novel ideas concerning the nature of man, which correspond to the incorrectness of mercantilism. The hallmark of the liberal creed, the quality which defines it and distinguishes it from all others, is the notion that there exists among men an ahistorical harmony of interests. All conflicts which arise between men arise out of abnormal or unnatural behavior. This is because, "[i]n pursuing his own interest, the individual pursues that of the community, and in promoting the interests of the community, he promotes his own."[22] On the international level, the liberals speak of a 'community of nations'. By direct analogy with the case of men, there can be no natural conflict between the national pursuit of wealth and the global pursuit of wealth. Both objectives were simultaneously fulfilled by universal free trade. Mazzini, the man who most clearly wedded the idea of liberalism to nationalism, believed that each nation, "had its own special task for which its special aptitudes fitted it, and the performance of this task was its contribution to the welfare of humanity."[23] It was only artificial barriers to trade, erected at the instigation of malicious and myopic merchants, which made any conflict possible, and which necessarily led to the impoverishment of the world and all the nations in it. It is also important to note that the harmony of interests on both the intra and international levels obtains even though the respective individual elements may be driven entirely by self interest. Liberalism has never been a doctrine of benevolence.

This is important to realize because it goes a long way in explaining the truly amazing survivability of the doctrine under conditions which are seemingly lethal. As E. H. Carr so cogently pointed out in his path-breaking study of international relations, *The Twenty Years Crises: 1919 - 1939* (1945):

> The survival of the belief in a harmony of interests was rendered possible by the unparalleled expansion of production, population and prosperity, which marked the hundred years following the publication of the *Wealth of*

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[22] E. H. Carr, *The Twenty Years' Crisis: 1919 - 1939* (New York: Harper & Row, 1964), 42.
[23] Ibid, 46.

> *Nations* and the invention of the steam engine. Expanding prosperity contributed to the popularity of the doctrine in three different ways. It attenuated competition for markets among producers, since fresh markets were constantly becoming available; it postponed the class issue, with its insistence of the primary importance of equitable distribution, by extending to members of the less prosperous classes some share of the general prosperity; and by creating a sense of confidence in present and future well-being, it encouraged men to believe that the world was ordered on so rational a plan as the natural harmony of interests.[24]

But take away this expanding prosperity, and competition - both the spirit in which it is engaged and its end results - becomes brutal. Once the pie stops growing, questions of distribution become paramount as individual parts of the greater whole begin to demand their share irrespective of the implications for the community, because they are increasingly insecure about both their place in the community, and the future of the community itself. Essentially, as things become more static, people are more likely to believe that their own gains are only possible at the expense of others, and that others' gains will entail losses for themselves.

Now by the latter half of the nineteenth century, growth was already beginning to become insufficient in many places to make the harmony seem plausible (the requisite scale of growth would come and go again, however, at various places and various times), and logically one would have expected the doctrine to fade away around this time. But help comes from the strangest places. It was around this time that Darwin, "propounded and popularized a biological doctrine of evolution through a perpetual struggle for life and the elimination of the unfit."[25] Liberalism came to take these ideas for its own, and to apply them to economic relationships.

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[24] Ibid, 44.

> Under the growing strains of the latter half of the nineteenth century, it was perceived that competition in the economic sphere implied exactly what Darwin proclaimed as the biological law of nature - the survival of the stronger at the expense of the weaker. The small scale producer was gradually being put out of business by his large scale competitor; and this development was what progress and the welfare of the community as a whole demanded. Laissez faire meant an open field and a prize to the strongest.[26]

This adaptation squares the circle to some extent. In liberalism's original and unblemished form, freedom of competition, in the sense of removing the government from the market place, is the key which unlocks the door to untold benefits resulting from the natural harmony of interest. As such it comes to be a goal in and of itself. By incorporating Darwinism, a rationale was found for freedom of competition: it was still possible to assert that the greatest good obtained through freedom of competition, but the good now spoken of was that of the community. But it was no longer possible to speak of harmony.

This is in fact a radical change in the nature of the doctrine. What it does is eliminate the entire rational basis of morality in the liberal society. Again quoting from Carr:

> In the long run the good of the community and the good of the individual were still the same. But this eventual harmony was preceded by a struggle for life between individuals, in which not only the good, but the very existence, of the loser were eliminated altogether from the

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[25] Ibid, 47.
[26] Ibid, 47-8.

> picture. Morality in these conditions had no rational attraction for prospective losers; and the whole ethical system was built on the sacrifice of the weaker brother.[27]

The liberal utopia was thus transformed into what is popularly characterized as a 'dog eat dog' world. Yet it is still popularly adhered to, and this is one of the more perplexing puzzles of modern life. This, it seems to me, can only be attributed to the power and appeal of the original ideal: there is a common perception that this order is heaven ordained, a mystical belief in the 'powers of the marketplace'. It should also be noted, paradoxically, that the universal rise of the welfare state, whose very existence is a negation of the original ideal in that its function is to lessen the vagaries of laissez faire, assisted in the preservation of the liberal ideal by removing the more offensive sacrifices to Darwinian progress.

The way in which the doctrine survived in the domestic economies has important implications for international relations, for it is only in so far as it is successfully promoted abroad by powerful nations that it has any relevance at all. Making the step to the international sphere, the doctrine becomes truly incredible. In a domestic economy, it is relatively easy to make the argument that an inefficient corporation in serious financial trouble should be allowed to fail, to disappear, because it is a drain on the economy which would be more efficient without it. The analogue would be that the weak country should be allowed to disappear, because the global economy would be better off without it. Or, if not to disappear, then to remain in its position of weakness. If a global free-trade regime means an open field and a prize to the strongest, it becomes very difficult, given that all nations are driven in the main by the pursuit of what they perceive to be their national interests, to see why the weaker should want to play at all.

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[27] Ibid, 49.

This is precisely the point which the emergent advocates of protection began to hit on in the nineteenth century. Preeminent among such figures was Friederich List, who constructed a rather complex theory of economic growth highly critical of liberal platitudes. Because of the fundamental disharmony (although he himself never explicitly addressed this issue) in the world, he observed that:

> There is therefore a real danger that the strongest nations will use the motto 'Free Trade' as an excuse to adopt a policy which will certainly enable them to dominate the trade and industry of weaker countries and reduce them to a condition of slavery .... [F]ree trade in foreign commerce is far from beneficial. Indeed it is the equivalent of commercial slavery. Free trade in this sense - if introduced unilaterally - permits foreign competitors to ruin native industry while denying to native manufacturers the right to compete on equal terms with foreign rivals in markets abroad. Such 'freedom' leaves us to the tender mercy of foreigners. Our industry and commerce are dependent on their laws and regulations.[28]

If in fact there is no harmony of interest among nations, it is incumbent on the government to take a proactive stance in international trade so as to secure the national interest. Where no natural harmony exists it is necessary to create some measure of artificial harmony, the 'invisible hand' must be replaced by the

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[28] Friederich List, *The Natural System of Political Economy,* ed. W. O. Henderson (Totowa, New Jersey: Frank Kaas and Company Limited), 25.

'authoritative hand'. This idea of disharmony was what formed the basis of state action for the mercantiles, both internal and external. The various interests within the state would not hold together left to their own devices, so that unrestricted private enterprise led to disorder and chaos, and could not be relied upon to provide for the needs of the nation.[29] In this case, the state must provide and enforce the order within which the people might thrive. Yet at the same time the mercantiles also realized that the individual (particularly the merchant) was the driving force in society. Thus, the appetites and passions which motivate him must be allowed as much free play as possible. The task was to make these motives serve the public good, as well as that of the individual, and this was where the government came in. The pursuit of self interest was given free reign, but only within the confines of a regulative institutional framework which channelled the merchant's energies in such as a way as to produce some concomitant benefit to the nation. The famous dictum attributed to Bernard Mandeville nicely expresses the spirit of mercantile government action with respect to its nationals: "Private Vices by the dextrous Management of a skillful Politician may be turned into Publick Benefits."[30]

In terms of international trade there was widespread recognition that: "[S]tate agencies[31] were more effective in pushing trade and capturing fields of enterprise than the unhampered activity of private traders could have been,"[32] because international trade was conceived of as just that: trade among nations, and so individuals could not be relied upon to secure the trade objectives of the state. As noted earlier, these objectives were considered to be of the greatest national importance. Expansion of the domestic economy would increase both the nation's wealth and state security. Foreign markets were more important than internal markets because these were thought to be more extensible, and as such participation in them might produce salutary change. In fact, they considered that, as a practical matter, there were really only three ways to enlarge the nation's economic milieu: engaging in foreign trade; obtaining colonies or establishing quasi colonies; or by extending its boundaries. Of these, the first was seen as the easiest, cheapest means of obtaining the objective.[33]

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[29] Such an argument can be found in Joseph J. Spengler, "Mercantilist and Physiocratic Growth Theory" in *Theories of Economic Growth* ed. Bert Hoselitz (Glencoe: The Free Press, 1960), 25.

[30] As quoted in Thomas A Horne, *The Social Thought of Bernard Mandeville: Virtue and Commerce in Eighteenth Century England* (London: The Macmillan Press Ltd, 1978), 72.

[31] Here understood in a general sense: diplomats negotiating trade deals, armadas securing trade routes, state finance for corporations taking unusual

The trade strategy involved a wide array of policies. Most mercantiles endorsed the various navigation acts designed to discourage foreign shipping and so increase demand for indigenous shipping and related services. Protectionist or discriminatory commercial policy was invoked with a view to foment the expansion of the industrial sector and other specialized sectors of the economy deemed to be particularly beneficial to it. Such measures were also invoked in support of the re-export trade, that painless and perennial money maker. Trade was seen not simply as a practical

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risks with potentially high national benefits, regulatory agencies, commercial policy, etc.

[32] Spengler, 26.

[33] Ibid, 35

means of increasing national wealth and security, but also as a vehicle for bettering the character of the society by increasing the efficiency of the economy. The general approach was to use commercial policy to bolster desired sectors of the economy, establish priorities among various sectors, and cut the deadwood out of the economy. For example, the mercantiles were likely to tax the export of raw materials, because then the domestic industry could have secure supplies, with the added benefit that no precious metals would have to be lost for the input. Excessive duties were placed on the importation of manufactures and luxuries, because the production of these things involved a great input of labour, and as such the encouragement of indigenous activity in these areas helped to relieve endemic unemployment problems. As a general rule mercantiles would use trade as an efficient indirect means of disabling the industries whose growth would retard that of more beneficial activity.[34]

For the mercantiles then, trade questions, or economic questions in general, were thought to be of the greatest import; questions the answers of which would have the profoundest consequences for the entire fabric of the polity. Of course, it might be said that this is hardly unique, that it is equally true of, for example, modern western liberal societies: we too are concerned with such things as unemployment, or the latest trade figures, and we also consider that the character of our economy - whether it is resource based or industrial, how much research and development goes on here, whether it is high income or low, and so forth - has great effect on the political place of the nation in the state system, as well as far reaching effects on the internal distribution of power, on priorities and values, on the political character of the nation itself. We realize all this, it might be said, but yet we approach these questions in a fundamentally different manner than did the mercantiles. We would say of the mercantiles that they had a 'political' approach to these questions, and we would perhaps condemn this as a bit backwards, or maybe even immoral. This was certainly how Adam Smith saw it; he condemned what he called the mercantile system because he said that it pandered to the interests of the rich and unscrupulous merchants, and indeed the condemnation would be well deserved if ever such a system had existed. 'Political' in this sense becomes a pejorative term, and government involvement in markets necessarily wasteful and corrupt. But he never actually stopped to wonder why there were such vast state sponsored monopolies such as the British East India Company, the Dutch West Indies Company, or the Hudson's Bay Company, nor did he wonder why some industries were promoted and others actively disabled. All he did was condemn what he saw. Had he done so, he might have found some uncomfortable answers. He might have seen that the state sponsored monopolies existed because the governments had objectives in foreign trade, objectives which were concerned with increasing national wealth, objectives which they fully realized the state was not capable of achieving with its own institutions alone, because, among other things, they simply lacked the wherewithal to attain these objectives, but more importantly, because they realized that they needed the kind of drive that only comes from free spirited individuals questing after private gain, they realized that they needed the entrepreneur so idolized by the classical economists.

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[34] Ibid, 39.

These questions were never asked because the answers show particular links between politics and economics, links which make a lot of sense and which are suggestive of a unified approach to 'political' and 'economic' issues. But of course, such an approach would be antithetical. If there is in fact a harmony of interests that exists by nature in human relationships, then there can be no role for government in these relationships, and no room for debate within the polity as to what modes of production are best. or what distribution of resources makes the most sense, no discussion of values or priorities, because all such questions are determined by free markets. The attainment of the 'good' in the regime thus becomes a technical question, handled by laws of supply and demand. But, of course, one cannot do away with the government altogether, for as D. C. Coleman has observed with reference to David Ricardo, another of the great classical economists, the notion of laissez faire:

> presupposed an organized institutional policy and a political programme: the rule of non-intervention must be established by the creation of a new set of institutions, of which the simplified working model in the mind of Ricardo was the conventional framework of the market in which he gained his experience of man's behavior, namely the London Stock Exchange. The function of the state was to keep the ring so that production and exchange might operate freely on principles of their own through the instrumentality of human beings whose individual power and influence on the

> market were infinitesimally small. Monopolistic and privileged forces should be excluded by public action.[35]

Thus, the government plays a crucial role while at the same time not really getting involved in the crucial business of life itself. Government provides the order, but people prosper within this order in a manner which is - as a practical matter - unrelated to government. The order comes to be presupposed, part of the necessary but somewhat distasteful business of 'politics'. The real day to day action in human affairs, and that which is good about them, falls within the domain of 'economics'.

What liberalism does, therefore, is to separate politics from economics; it postulates that economics has laws of its own which operate according to forces unrelated to political forces. Accordingly, we begin to draw distinctions in the world where none exist. This is a grave error, a harmful way to think of the world, and even the analytical distinction is difficult to justify. As E. H. Carr points out:

> Economic forces are in fact political forces. Economics can be treated neither as a minor accessory to history, nor as an independent science in light of which history can be interpreted. Much confusion would be saved by a return to the term 'political economy', which was given the new science by Adam Smith himself and not abandoned in favor of the abstract 'economics', even in Great Britain itself, till the closing years of the nineteenth century. The science of economics presupposes a given political order, and cannot be profitably studied in isolation from politics.[36]

Of course, the mercantiles were never interested in such distinctions. The traditional or usual formulation of mercantilism is one of 'power and plenty'. The phrase is short and catchy, and it seems to be consistent with most of what the mercantiles were talking about. But most analysts of mercantilism consider it to have been a system of power, or at the least one which subordinated considerations of plenty to considerations of power. The reason it seems that 'power' was so predominant is because what we now call 'military-political' factors played such an important part in 'low' or trade policy, and with good reason. As Jacob Viner notes:

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[35] Coleman, "Eli Heckshar and the Idea," 22.
[36] Carr, 116-17.

> In the Seventeenth and Eighteenth centuries colonial and other overseas markets, the fisheries, the carrying trade, the slave trade, and open trade routes over the high seas were all regarded, and rightly, as important sources of national wealth, but were available, or at least assuredly available, only to countries with the ability to acquire or attain them by means of the possession and readiness to use military strength.[37]

It should also be remembered that 'power' meant to them something much more comprehensive than those seeking to show the belligerent nature of mercantilism would imply. It was not just an ability to attack and conquer and the concomitant prestige and influence. They were very much aware of the defensive element of power as well, the power to maintain "national security against external aggression on the nation's territory and its political and religious freedom."[38] The point is that mercantilism cannot be characterized as a system which espoused conquest as an end in and of itself. Moreover, there is nothing irrational about seeking to secure the safety of the state in all its aspects, so that even if the case could be made that mercantilists sought power over plenty, this would not necessarily demonstrate some deficiency in the system. Indeed, it seems plausible to suppose that a country adhering to a system which espoused the pursuit of plenty over power might (as the fool) soon be parted with its wealth.

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[37] Viner, 6.

[38] ibid.

At any rate, the typical stereotype of mercantilism as a 'system of power' is misleading. Nor can it be said that in the national pursuit of 'power and plenty', 'power' was the predominant concern, and that 'plenty' was necessarily subservient. Such speculation is not only incorrect, it is idle, for the truth of the matter seems to be that the two were co-equal objectives of national policy; or more to the point, they were, as the formulative phrase implies, considered to be two integral parts of the same whole. As Ingmar Bog noted of the mercantilists, "When they wished to justify their doctrines, mercantilist theorists evidently gave little thought to the priority due either to political objectives or to economic welfare."[39] Mercantile states pursued 'power and plenty', not 'power' and 'plenty' The contemporary need to wonder which is more important is the result of the pervasiveness of liberalism in our thought, which tells us to draw distinctions where none exist. For it is the exact same thought process which tells us the world is divided into a 'political' sphere and an 'economic' sphere which is qualitatively different, as that which causes us to wonder at the primacy of either 'power' or 'plenty'. If one could ask the mercantilist: 'which is more important, power or plenty?' he would no doubt complain that the question was unintelligible, and that the mere fact of its utterance betrayed a lack of basic understanding about the nature of the world.

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[39] Ingomar Bog, "Mercantilism in Germany," in *Revisions in Mercantilism* ed. D. C. Coleman (London: Methuen & Co. Ltd., 1969), 170.

What this means is not simply that the mercantiles conceived of power and plenty as properly joint objectives of foreign policy, but that they considered that there was an essential harmony between the two, with each, as a rule, reinforcing the other. Viner makes this point very clearly in his survey of the contemporary literature, part of which is reproduced below.

> Foreign trade produced riches, riches power, power preserves our trade and religion.[40]
>
> Your fleet, and your trade, have so near a relation, and such mutual influence upon each other, they cannot well be separated: your trade is the mother and nurse of your seamen; your seamen are the life of your fleet, and your fleet is the security and protection of your trade, and both together are the wealth, strength, security, and glory of Britain.[41]
>
> By trade and commerce we grow a rich and powerful nation, and by their decay we are growing poor and impotent. As trade and commerce enrich, so they fortify, our country.[42]

Because of this essential harmony between power and plenty, the mercantiles believed in the existence of a very close relationship between the 'balance of power' and 'the balance of trade'. As Friedrich List observed of European nations during the mercantile era:

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[40] Josiah Child, *A Treatise concerning the East India Trade* (London, 1681), 29, as quoted in Viner, 21.

[41] Lord Haversham in the House of Lords, 6 November, 1707, *Parliamentary History of England*. VI, 598, as quoted in Viner, 21.

[42] Lord Bolingbroke, 'The Idea of a Patriot King', in *Letters on the Spirit of Patriotism* (London, 1752), 204, as quoted in Viner, 21

> At all times the weaker countries in Europe have collaborated to defend themselves against the pretensions of a dominant state. This has been called the balance of power. In the same way there has been united opposition to England's dominant position with regard to industry and trade. England has become so powerful economically that she is able to bring good fortune or ill fortune to other nations, so long as these countries act in isolation. It is obvious that the idea of the Continental System was born because of England's excessive economic power and because of the possibility that England might misuse this power.[43]

The association of balance of power with balance of trade has often been taken as evidence of the mercantiles' rather dim wits. But, on the contrary, it seems to me rather insightful; a competitive and economically vibrant nation will, other things being equal, tend towards a payments surplus, and as the economic health of the nation increases, so will its political standing among other nations. Consider, for example, the post war rise of Japan, corresponding decline of America, and the concomitant motions in these nations' trade balances.

It has been noted above that the mercantiles were widely criticized for their approach to wealth which led them to see it in relational terms, and to look 'with an invidious eye' on the fortunes of other nations. This same approach was equally applied to military matters, but here the criticism would serve to illuminate a strength of the mercantilist approach to international relations and not a weakness. Indeed, the idea of military power is only intelligible in relational terms. The character and size of a country's armed forces mean absolutely nothing in terms of the power of that country apart from considerations of the qualities of other countries' armed forces, especially proximate countries. Moreover, it may be said that, in military matters, an increase in the power of one country *necessarily* implies a decrease in the power of at least one other country, even though military relationships are not static.

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[43] List, 51.

Mercantilism in Short

What can now be said in a conclusive manner about the meaning of mercantilism? Although as an entity it encompasses diverse theories and practices, it nevertheless constitutes a coherent system of thought, well worthy of the status of 'ism'. The central theme of this system is probably best articulated in terms of opposition to liberalism: that there is a natural disharmony of interests present in human relationships, but that these relationships may be made productive through artificial means. This is the defining characteristic of mercantilism, and it is ultimately from this idea that all mercantile thought springs, the central features of which might be enumerated as follows:

1. The key players in international relations are states. This is because the mercantiles admit of no unnatural distinctions in the world, such as that between economics and politics. As a result, no area of social activity is beyond the state. The state is key because of its position as the creator of artificial harmony which defines human existence.

2. States are motivated by nationalistic objectives even to the detriment of cosmopolitan objectives. This is because they want to maintain as much internal harmony as possible, and because they want to maintain this harmony against external influences. For

example, states pursue nationalist economic foreign policy because it produces greater specifically national wealth. This makes it easier to reconcile diverse internal interests, because there are more resources with which to satisfy these interests. Or such nationalist policy may at times be pursued to reorder internal relationships. Whichever, states will want to secure the polity against forces which are beyond its control. This includes random events which originate externally, as well as actions taken by external actors specifically directed at the state. Attaining such security often involves aggression, and as a practical matter it therefore becomes difficult to distinguish aggressive from defensive policy.

3. The way that the state obtains security against other states with conflicting interests is through the pursuit of power and plenty. Indeed, 'security' means the same thing as 'power and plenty'[44] But the latter expression is preferable because it conveys a fuller sense of what is involved in security. Specifically, a nation's foreign policy must be characterized by action which demonstrates an appreciation of the following truths about international relations:[45]

  a) Wealth is an absolutely essential means to power, whether for security or for aggression.

  b) Power is essential or valuable as a means to the acquisition or retention of wealth.

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[44] If 'security' is the same as 'power and plenty' then we have the rather trite statement: 'state obtains security through the pursuit of security'. This just begs the question: how does the state pursue security? This issue was dealt with above, where specific policies were discussed. What is provided here is the general sense in which these policies are to be understood.

[45] This list is taken in its entirety from Viner, 10.

c) Wealth and power are each proper ultimate ends of national policy.

d) There is a long run harmony between these ends, although in particular circumstances it may be necessary for a time to make economic sacrifices in the interest of military security and therefore also of long-run prosperity.

These are the essential features of mercantilism. Omission of any part of them conveys an incomplete meaning of the term, whereas additional features would likely prove too specific and provoke disagreement among mercantiles as to their validity. These are the features which all mercantile theorists or statesmen would agree on.

3. Realism as a Response to Liberalism.

As Michael Smith observed in his study of realist thought, modern realism was largely a response to liberalism, to what he refers to as 'the idealist provocateurs.[46] These provocateurs were of a kind with the liberals who had brought the attack against mercantilism which was discussed above. They were guided by the same central theme as were the classical economists and every previous liberal: the belief in the fundamental harmony of interests. And their basic method of argument was also the same as the classical economists: starting from an ideal and then fitting sensory evidence around it. World peace, as the story goes, is necessary for an orderly and industrious existence, and only the liberal program is capable of attaining it. War gets in the way of the natural harmonious order of things, and so it should be removed by the human community from human affairs. The liberal peace agenda is nothing more than the original liberal ethic applied to military relations. Just as, for example, every country has a natural interest in free trade, which is simultaneously in the interest of the community of nations, so too every country has an interest in peace, which is simultaneously in the interest of the community of nations. Peace is to everyone's advantage, and consequently there can be no conflict of interests involved in the pursuit of peace. What this means, as Carr observes, is that:

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[46] Michael Smith, *Realist Thought fromWeber to Kissinger* (Baton Rouge: Louisiana State University Press, 1987), 54.

> Every international conflict is therefore unnecessary and illusory. It is only necessary to discover the common good which is at the same time the highest good of all the disputants; and only the folly of statesmen stands in the way of its discovery.[47]

What is thus called for is enlightened statesmen pursuing the cosmopolitan interest.

This type of reasoning, the realists insisted, misses altogether the point that nations have conflicting interests, and that the pursuit of their own national security proceeds largely irrespective of whether it is at odds with the security of other nations. In other words, liberalism ignores the fundamental causes of war, and as a result, leads to reckless 'cosmopolitan' foreign policy, which only serves to increase the likelihood of war by encouraging countries to neglect the element of power in international relations.

Largely because they believed liberalism to be so fundamentally wrong, the realists sought to counter it at every turn.

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[47] Carr, 54.

Their starting point was with the idea of the nature of man: the liberal said man was basically good, the realist said man was basically bad. For the realist the ultimate source of strife is man himself, his unchangeable nature. It is clear from the history of man that he is sinful and wicked by nature. Out of man's natural vices, especially his lust for power over others, emerges strife. Consider two of the three American modern realists on this point. Reinhold Niebuhr spoke of man as corrupted by the 'original sin'. Just as Adam and Eve had sinfully sought more power than God had intended for them to have (through knowledge), so too do their descendants sin. The human "will to live" leads to a "will to power":

> The conflicts between men are thus simple conflicts between competing survival impulses. They are conflicts in which each man or group seeks to guard its power and prestige against the peril of competing expressions of power and pride. Since the very possession of power and prestige always involves some encroachment upon the power and prestige of others, this conflict is by its very nature a more stubborn and difficult one than the mere competition between various survival impulses in nature.[48]

With a lot less philosophical justification, George F. Kennan said of man that he is "irrational, selfish, obstinate, and tends to violence."[49]

This is the central theme of the modern realist's approach: man's inherently evil nature. Note the difference between this and the mercantilist central theme, the idea of a disharmony of interest among men. Admittedly similar themes, but for the mercantilists the disharmony obtains not because man is any more bad than good, or because he is 'evil' as such, but simply because there is evil within man. To be sure, the mercantilists focussed at great length on the evil of man and its consequences, but they recognized it in terms of an overall duality and malleability of his nature, as Bernard Mandeville said:

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[48] As quoted in James E. Dougherty and Robert L. Pfaltzgraff, Jr., *Contending Theories of International Relations: A Comprehensive Survey* 2nd ed. (New York: Harper & Row, 1981), 94

[49] As quoted in Dougherty and Pfaltzgraff, 105.

> I believe man .... to be a compound of various passions, that all of them, as they are provoked and come uppermost, govern him by turn, whether he will or no.[50]

This difference has important implications, the discussion of which pervades the remainder of the paper. But for now, it is enough to note how the central tenets of modern realism follow from its own central theme.

Because man is evil, politics is defined as the struggle for power. It cannot be any other way. If man is evil and self interested, then trust and cooperation become unimportant, and the only way men can deal with one another is through power, because power is all that they respect beside themselves. The way that men deal with each other, this is politics; therefore, if one starts from the premise that man is fundamentally evil, politics can only be defined as a struggle for power. This struggle for power has defined the existence of various states throughout the globe. Within them, there is a supreme power, and this makes them viable political entities - states. Between them, however, there is anarchy, and hence a state of war. Thus, the important players in this arena are states, as together they define it. Finally, the states play the game of power politics rationally. They must, because if they do not, they lose to other more capable players.

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[50] Horne, 14.

The Present Problem With Realism

To a large extent the weaknesses of modern realism spring from its original success. The dominance of realism as an approach to the study international relations in the early post-war years was partly the result of circumstance and partly the result of the intellectual void which it filled. These two considerations go hand in hand. The perspective on international relations which had dominated its study in the first half of the cenury, that of liberalism or idealism, seemed a hollow one in light of the war. International institutions, law, dialogue, trade - all those things which the liberals had put so much faith in as driving and salutary forces in international relations - appeared to be for the most part ineffective in shaping the brutal course of world events, perhaps even irrelevant. For the modern realists, idealist or liberal thinking was not only naive and inadequate, it was actually dangerous - itself a leading cause of the destructiveness of the war and the turbulence which led to it. What the realists offered in the wake of this intellectual disaster was a more or less coherent set of basic ideas concernig the nature of international relations which made a very strong appeal to common sense, and these two factors together contributed to their dominance in the field.

These realists then, saw themselves not only as advancing philosophically sound theories of international relations, but also as engaging in the vitally important task of educating important world players how best to cope with a world prone to war. This latter task arguably took precedence:

> Such realists took as their special concern not so much the philosophical task of grounding and justifying their principles and ideas, as the moral and educative one of alerting statesmen, public opinion leaders, and the world's citizens to the menace of different sorts of totalitarianism. For these political realists, performing the task of political and moral education was a consequence of taking realism - in the practical-prudential sense - seriously.[51]

They were academics with a mission, largely uninterested in arcane academic debate. Consider, for example, the following words of Hans Morgenthau, commonly referred to as the father of the discipline, set down in the preface to the fourth edition of his major treatise, *Politics Among Nations:*

> Since it is obvious that my theoretical approach to international politics differs from those which are at present fashionable in academic circles - behaviorism, systems analysis, game theory, simulation, methodology in general - I am being asked from time to time why I do not justify my position against what appears to be at present the prevailing trend in the field. I do not intend to do this; for I have learned from both historic and personal experience that academic polemics generally do not advance the cause of truth, but leave things very much as they found them.[52]

From across the Atlantic, one can find a similar attitude in the work of the British realist Martin Wight, as Hedley Bull and Carsten Holbraad observed in their editorial comments on the posthumous edition of his *Power Politics:*

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[51] Spegele, 190.

[52] Hans Morgenthau, *Politics Among Nations,* 4th ed. (New York: Alfred A. Knopf, 1967), ix.

> [T]he new *Power Politics* makes little or no attempt to come to terms with the academic literature of the subject that has accumulated in the years since the original version appeared. We have seen that the author does not seek to anticipate certain obvious charges that would naturally occur to anyone familiar with this literature, and defend himself against them. He does not acknowledge any need to relate his arguments to recent writings, with which students can be expected to be familiar. He takes no account of the debate that has taken place about the methodology of studies of international relations, and in particular does not seek to engage the so-called behaviorist or social scientific school, whose critique has been directed against the methodological premises of precisely such a work as *Power Politics*.[53]

This attitude was not so much the product of disdain for scholarly debate and inquiry as it was of impatience with what seemed to them futile and misguided exercises. It was the attitude of men possessed of the moral certainty that their own basic outlook on the world was correct, and that all fundamentally opposing viewpoints were wrong and even contemptible. But the effect of this stance is that it caused them to pay too little heed to the philosophical foundations of what they were saying. Or, perhaps a better way to make the point, it caused them to be too secure in the philosophical foundations which they did claim. They saw themselves as "belonging to a single continuing and pre-existing tradition of understanding of how things are in world politics."[54] But the thinkers with whom they claimed philosophical continuity - thinkers such as Machiavelli, Kautilya, and Thucydidies - were invariably thinkers of a unidimensional character, in the sense that they tended to confine their analyses to questions of war and peace, with a heavy emphasis on the war aspect, or on what we now call 'military-political' issues. Their lack of interest in engaging the academic criticisms launched at them thus had two mutually reinforcing effects. The lineage which they claimed for themselves tended to give the erroneous impression that military-political issues were all that mattered in international relations. Moreover, their failure to:

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[53] Martin Wight, *Power Politics* 2nd Edition, eds. Hedley Bull and Carsten Holbraad (London: Penguin Books, 1985), 20.

[54] Spegele, 191.

> do the philosophical work [they] claimed to admire gave anti-realists the opportunity to argue that realism was itself historical; that it was an appropriate understanding of international politics only when certain sorts of issues were involved, namely, those arising from the problems of sovereignty, defence, and security. When such issues became less salient, the *raison d ètre* of political realism appeared to recede *pari passu;* new concerns, problems, and issues - principally economic in character - which made political realism not so much obsolete as in need of being supplemented by other, more economically oriented perspectives. Eventually political realism came to seem to many of its proponents, including some who were among its firmest initial supporters, as quite incapable of providing answers to the predominantly economic questions which many theorists now regard as constituting the core of international politics.[55]

It is important to be clear on the precise nature of the error. It is not that it is wrong to emphasize the centrality of strife and violence in international relations - and I will argue below that in order to obtain an adequate understanding of international relations it is essential to do this; rather, the error comes with a myopic focus on war, its causes and character. These realists were guilty of a measure of such myopia, in large part because they in fact were substantially swayed by the liberal thought which they held in such obvious contempt. If one conceives of politics as power politics, it is in fact difficult to see how one is able to consider *any* issues apart from sovereignty, defense, security, and so on. What the realists ended up accomplishing was to establish the tenets of their realism within the basic terms of liberalism, for they came to admit of the false distinction between politics and economics which the liberals had created.

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[55] Ibid, 193.

This is precisely the effect of the idea of power politics: only issues arising from strife are immediately relevant, and genuinely cooperative relationships elude the realist because he has no real basis from which to consider them, and so they are allowed to fall under the rubric of 'economics'. In the preceding section I explained the manner in which the liberals split economics and politics. Because of the fact of the harmony of interests which exists by nature in human relationships, there can be no role for government in these relations. The government simply 'keeps the ring', and the order thus comes to be presupposed, part of the necessary but distasteful business of 'politics'. The real day to day action in human affairs, and that which is good about them, falls within the domain of economics. The liberal mistake which prevoked the realists was the supposition that man had developed to the point where 'politics' no longer mattered. What the realists did was to focus on the order, and the way in which states defined it. But the day to day action of human affairs, how people work together and produce, fell beyond their purview, because the element of power is not always present in such relationships, being present only as a background factor. In other words, this 'background' became their central problematic, and movement beyond it is not possible within the power political framework. The realists thus confined their attention to the 'political' world, and proceeded to analyze in a realistic fashion 'political' relationships. 'Economic' factors were not considered as part of the dynamic process of relations among nations, and when they were considered at all it was typically only as attributes which define a state's ability to play at power politics. Had they not proceeded along these lines, realists might have been less susceptible to the criticisms which were increasingly levelled at them in the 1960s and 1970s as the tight bipolarity of the post-war era began to fade away, and as 'military-political' issues came to seem of less import. Whenever this happens economic issues inevitably push their way to the fore-front of international relations: as the visible manifestations of strife recede, relationships among states where the element of power is less obvious will grow in prominence, and demand our attention. Any 'political' approach incapable of dealing directly with such issues must therefore become increasingly inadequate.

Part III.

4. State and Power in a World of Strife

This section will address the implications of what is the central theme of the mercantile perspective: the inescapable fact of strife in human relationships, the disharmony of interests. It provides the framework for a rudimentary understanding of international relations, in the sense that it offers some concepts which are held to be indispensable to an understanding of the central issues of international relations, whether they are the 'high' political variety associated with war and the threat of war - security concerns, or the 'low' political variety associated with the production of wealth and the interdependencies which this creates. These concepts include, in addition to the idea of strife, two of the core concepts usually associated with the realist tradition, 'state' and 'power'. As a result of strife, the importance of instruments of physical violence is expressed as establishing the cornerstone of order in international life. The idea of state is indispensable in understanding this order because of its monopoly on the legitimate exploitation of the resources of violence and its pre-eminence in their actual use, and the idea of power is indispensable because the provision and use of these resources is understood as an act of power. What is thus generated is something which resembles some sort of balance of power theory. The meaning is broader than the ideas typically subsumed under that heading, however, and I will demonstrate its content by way of comparison and contrast to a neorealist perspective on balance of power. This will serve to illuminate the mercantile perspective on the importance of state as orderer and of power as the instrument of this endeavor, both of which result ultimately from the salience of strife.

The Centrality of Strife

The mercantile insistence on the centrality of strife is clearly the place to begin this study of international relations. This is, in a nutshell, the cornerstone of the mercantile approach: the belief that there exists in the human milieu a fundamental disharmony of interests, which is ever present. This is not to say that that is all there is to human relations. There is also such a thing as genuinely mutual interests, and cooperation is surely also a salient feature of the human experience. But where this occurs, it is the result of a *coincidence* of interests, which can never be assumed to exist, but which must be actively searched for instead. For reasons which will become clearer as the argument progresses, recognition of the fundamental disharmony of interests must take precedence over possible coincidences of interest.

Even at this very early stage, however, the assertion can to a large extent be substantiated by an appeal to common sense. Conflict is that which threatens, whereas cooperation has to do with that which is mutually beneficial - 'win-win' situations. The threat takes priority in social life. Before the fruits of even the most simple cooperation may be enjoyed, there must be present a degree of security which provides some shelter from possible threats to this enjoyment. By security I mean here only a basic stability, or order in human relationships. Hedley Bull, in his seminal study of order in world politics, *The Anarchical Society,* articulated three essential parts of such basic security:

> First, all societies seek to ensure that life will be in some measure secure against violence resulting in death or bodily harm. Second, all societies seek to ensure that promises, once made, will be kept, or that agreements, once undertaken, will be carried out. Third, all societies pursue the goal of ensuring that the possession of things will remain stable to some degree, and will not be subject to challenges that are constant and without limit.[56]

Conceived of in these terms, it seems manifest that such security is an indispensable prerequisite of political life. Unless these most basic needs are fulfilled, absolutely nothing which is good about human relationships may proceed, as Bull further makes clear:

> Unless men enjoy some measure of security against the threat of death or injury at the hands of others, they are not able to devote energy or attention enough to other objects to be able to accomplish them. Unless there can be a general presumption that agreements entered into will be carried out, it is not conceivable that agreements can be entered into to facilitate human cooperation in any field. Unless the possession of objects by persons or groups can be to some degree stabilized or settled (It is not material here whether this is through private or communal ownership, or with what kind of mixture of one and the other) then given that human beings are what they are, and given that the things human beings want to possess have only limited abundance, it is difficult to imagine stable social relations of any sort.[57]

Now the need for such security would not be present in a purely cooperative world. Only where there is conflict, and the concomitant possibility of threats to these basic human requirements need we consider the fundamentals of security. The concept of security is thus inseparably bound up with that of strife, in the sense that security is unintelligible apart from strife: the provision of security is the (more or less) visible manifestation of the strife inherent in human relationships. Since the fundamentals of security as listed above are clearly prerequisites for any conception of orderly human relationships, the mere fact of the existence of conflict or strife as a salient feature of the human experience and the threat which ensues from it may be taken as proof of its logical priority in the study of human relationships.

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[56] Hedley Bull, *The Anarchical Society* (London: Macmillan Education Ltd, 1977), 5.

[57] Ibid.

But it is possible to be still more precise. Bull says of these goals that they are primary in the sense that, "any other goals a society may set for itself presuppose the realization of these goals in some degree."[58] But of the three primary goals, I think that one is more 'primary' than the others, and that the idea of security may be simplified further still. For the second and third goals presuppose the first, or at least are bound up with it inseparably. Ensuring that agreements once made will be respected necessarily involves the security against 'violence resulting in death or bodily harm'. If conflicts evolve about the nature of an agreement which may be settled in a random fashion by violence, obviously there is in that case no security of agreement. Likewise, there is no security of possession wherever things may be violently seized at random. Violence is the highest threat which results from strife, and thus the effort at the provision of security against violence is the prior or primary element of security; as Susan Strange has somewhat sarcastically observed, this is, "after all, the most basic of basic human needs. If someone kills you, you immediately have no further needs."[59]

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[58] Ibid.

Now the way to understand the provision of security against violence is to examine the resources of violence, and most importantly how they are distributed and how they are managed. For the present moment of history, the security structure is clearly organized around the state. Again from Strange:

> In the international political economy of modern times, the security structure is built around the institution of the state. The state claims political authority and the monopoly of legitimate violence. But the state does not exist in isolation. It exists alongside others, in a society of states. All claim political authority and the monopoly of legitimate violence within - and sometimes also beyond - their territorial boundary. The relations between states, therefore, have great importance for the security structure.[60]

Domestically and internationally, the state claims for itself ultimate political authority and consequently a monopoly on the legitimate use of the resources of violence. If the focus here was on domestic politics, it would be possible to demonstrate a great deal of understanding about this municipal system or that, simply by demonstrating an understanding of how resources of violence are managed within those systems. But as the focus is on world politics, it is necessary to consider how these resources are managed globally, when each of 184[61] sovereign states arrogate to themselves this monopoly, and yet must somehow coexist with one another. The fact that authority is decentralized in international relations serves to heighten the urgency and priority of the security problem, and is good reason for explicit focus on it. This point was made by Hoffman in an eloquent observation concerning the effect of strife in international relations:

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[59] Susan Strange, *States and Markets* (London: Pinter Publishers, 1988), 45.
[60] Ibid, 45-6.

> To begin with, the scope of power politics is potentially total; zones from which not only the confrontation but even the presence of national wills is removed (many of the so-called functional areas, for instance) can always be reclaimed by the competing units. And, wherever the conflict rages, it can be analyzed in terms of a competition of wills. The pace of world affairs, hence the priorities of foreign policy, are set by the relationships of major tension: there is a prevalence of conflict over concensus, or over cooperation; even in the areas of relative concensus, such as alliances, there are elements of conflict - i.e. the conflict continues even in situations of relative concensus. Secondly, the means for such conflicts are unlimited: the tone of international affairs is set by coercive means, whether they are used directly or are merely there as a brooding omnipresence behind the non-coercive means that are actually employed. Among the coercive means is numbered the possible resort to war by any of the competing units.[62]

How does one answer the need for security, when the threats against it are seemingly everywhere and without limit?

One easy and rather direct way of answering this question would be through an appeal to the 'balance of power'. One could say something to the effect of: 'Resources of violence are managed

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[61] John Paxton, ed. *The Statesman's Yearbook,* 125th ed., (London: The Macmillan Press Ltd., 1988), as enumerated on x-xiv.

[62] Stanley Hoffman, *The State of War: Essays on the Theory and Practice of International Politics* (New York: Praeger, 1965), 27.

among states through the operation of the balance of power.' The threat of violence is met with more violence. Whoever has the greatest quantity and quality of resources of violence is in this case the most secure. Because all states desire security, they strive for it, and the effort leads to a roughly equal distribution of resources of violence among groups of states, or, we say, the power is balanced. If it were not, there would be one state with a preponderance of power and a consequent ability to utilize its resources of violence at will. There would thus be no security for the other states in the system. Those types of arguments have been made before by many great and not so great theorists of international relations, and they do in fact capture a great deal of the essence of international relations. But they also miss much, and in some senses mislead. Balance of power arguments are remarkably insightful, capturing in a straightforward manner the action of the competition of national wills in international relations, backed up by power. But they are also typically superficial, and so it is necessary to back-up, and consider carefully what is involved in security.

The ultimate provision of security, which is the provision of security against violence, is defined, paradoxically, by the way in which the most potent resources of violence are distributed and managed. The security structure refers simply to the basis of stability in human relationships, or the provision of order. Thus, when we speak of security against violence, it simply refers to the ordering of violent relationships, not necessarily the elimination of violence. And in fact the management of the resources of violence among states has historically occurred largely through the operation of war. War involves the whittling away and building up of the resources of violence; it is for this reason that in considering the nature of the security structure among states it has always been necessary to consider war. Even so, this international 'state of war' in no way implies a Hobbesian state of nature for individual people, as Bull observes:

> ".... One human being in the state of nature cannot make himself secure against violent attack; and this carries with it the prospect of sudden death. Groups of human beings organized as states, however, may provide themselves with a means of defence that exists independently of the frailties of anyone of them. And armed attack by one state upon another has not brought with it a prospect comparable to the killing of one individual by another. For one man's death may be brought about suddenly in a single act; and once it has occurred it cannot be undone. But war has only occasionally resulted in the physical extinction of the vanquished people.[63]

Nor is the state of war among nations as such in any way analogous to the Hobbesian state of nature. The randomness of violence in that state of nature is based in part on the idea of an equal distribution of the resources of violence across the units of analysis, effectively a perfect balance of power amongst the units of analysis in the sense of there being no real power disparities between any of them. But there are obvious power disparities in international relations. War among nations is, therefore, not of a random nature, but proceeds, to some extent at least, according to a logic dictated by power disparities. Such disparities heavily influence war by discouraging many acts of war. Attack by a weaker state on a stronger is discouraged because the weaker stands less chance of achieving any objectives through the act. It may combine with other states to increase its power, in this way increasing its odds, but in that case the combination of power is directed at the first state, and if war results it is in this case again ordered in part by power disparities. And if the power of one preponderant state is unopposed by any other, or by some combination of any other, then war is ordered primarily by the objectives of that state. So it is that the particular arrangement of military forces in existence at any point in time, and the intentions which surround their possession, provide for the most rudimentary of security needs.

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[63] Bull, 49

One further point need be noted in this connection. War is to be understood at root as an expression of conflict, and as such there is no reason to suppose that changing the principle according to which world politics is presently ordered - that of territorial sovereignty - would necessarily lessen its incidence. Again from Bull:

> ... It is superficial to contend that violent conflict among men is caused by the existence of a system of states without considering whether it does not have deeper causes that would not also be operative in any alternative political structure and the availability of violence as a physical option for men in resolving their disputes, and their will to use it rather than accept defeat on matters that are vital to them.
>
> The idea that under world government war would be impossible rests simply on the verbal confusion between war in the broad sense of organized violence between political units, and war in the narrow sense of international war or organized violence between states. Wars that accompany the breakdown of a world government, like civil wars that take place within a state, are not less violent or

> destructive because they are not wars in the narrower sense.[64]

It follows from this that the risk of war is not "the distinctive characteristic of international relations"[65] as theorists such as Raymond Aron and Stanley Hoffman argue. Rather, that what separates international relations from other politics is simply the anarchy found within them. War results from conflict; what anarchy does is only to make the element of conflict more obvious.

It also increases the importance in international relations of militarily preponderant states. These states, by virtue of their most excellent power, must therefore be of central import in defining the nature of the security structure. It is because of this fact, together with the idea of security as being the prior requirement of orderly human relations, that an overall rank ordering of states is possible, and that it may be asserted that the pre-eminent states must of necessity be militarily preponderant. This assertion has certainly been borne out by historical experience:

> Military capacity, unlike technological level and economic activity, has always symbolized a political unit's status among others. No 'great power', in the present or past, has failed to maintain a large military establishment, and those states that aspire to great-power status allocate a large portion of their resources to developing an impressive military machine. Both the French and Chinese governments, for instance, have claimed that they could not hope to achieve great power status unless they developed arsenals of nuclear weapons and modern delivery systems.

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[64] Bull, 285.
[65] Hoffman, 34.

> Nuclear weapons, delivery systems and space technology are important components or symbols of great-power status.[66]

It is possible to clarify and expand upon this tentative conception of the security structure in international relations by comparing it with another which is in a superficial sense similar, that of neorealism. Here too military force provides for the primary order of international relations. But the differences become clear in light of the manner in which the provision of security is explained in either case. For the neorealist, the explanation is offered in mechanistic terms, which might be simplified in the following manner. States pursue power because the structure of international relations (or rather, Waltz's more narrow 'international politics') demands this, in much the same way that markets demand that firms pursue profit. Militarily preponderant states are important in this framework, but only insofar as this state or that state is preponderant. Thus, the focus is shifted away from the behavior of the states as determining the structure, towards a view of the structure as determining the behavior of the state. This represents a complete inversion of the cause and effect relationship offered in the mercantile explanation of the provision of security. Because the primary focus of each is on military forces, but yet the reasoning is nevertheless so clearly opposed, exposing the problems of neorealism in this regard provides an excellent method of clarifying the mercantile explanation of the provision of security. I will, therefore, now focus in detail on a critique of Kenneth Waltz's *Theory of International Politics*. Waltz has been exhaustively criticized from many different angles by many different theorists, but this critique is - I believe - novel, the result of distinctively mercantile thinking.

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[66] K. J. Holsti, *International Politics: A Framework for Analysis*, 4th ed. (New Jersey: Prentice-Hall, 1983), 72.

Waltz's Reductionist Theory of International Politics

Waltz offers a systemic theory of international politics which is laid out, in the most basic sense, in terms of structure and process. According to Waltz, political structures are defined: "first, according to the principle by which it is ordered; second, by the specification of the functions of formally differentiated units; and third, by the distribution of capabilities across those units."[67] This, he tells us, is a purely positional picture, and everything else is omitted. Everything else being process. The structure provides for continuity and order in international relations, whereas process accounts for the ephemeral. The idea is that we obtain a better understanding of the ephemeral through a full understanding of that which is relatively constant.

In an effort to demonstrate such a theory, Waltz is faced with an uncomfortable situation. International relations seem chaotic because of the anarchy which is said to inhere in the international realm. But he wants to demonstrate order by showing that there is something out there - something which we may not be able to point to, but which we can nevertheless explain and understand - that accounts for the persistence of certain observed phenomena over time, which is indicative of order. In the simplest terms possible, "the problem is this: how to conceive of an order without an orderer and of organizational effects where formal organization is lacking"[68] Quite a problem indeed, and in an effort to surmount it he will take recourse to more well established microeconomic theory. Lessons of this theory may perhaps throw some light on a tentative theory of international politics, because of the similarity of the "domains" which the two types of theories are to explain.

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[67] Kenneth Waltz, *Theory of International Politics* (Reading, Massachusetts: Addison-Wesley Publishing Company, Inc., 1979), 82.

How structurally similar are they? The question is one of great import. It is true that Waltz uses the economic market only as an explanatory device, but it is the best all round account of structure that he gives, and he will repeatedly make the economic analogy throughout his book, wherever the more fundamental parts of his theory are called into question. It thus seems reasonable to spend a little time on his understanding of markets, and not just his understanding of political structures as such. In this way, it can be seen both to what extent the analogies he draws actually strengthen his arguments and how strong those arguments are standing alone. Waltz claims that both the international political structure and economic markets are "individualist in origin, spontaneously generated, and unintended,"[69] The market does indeed arise (partly) out of the drives of largely separate entities, and these entities do include both people and firms who care little for the effect that their actions have on the order around them, or markets, but rather only for the promotion of their own interests. Waltz attributes the rather amazing explanation of just exactly how this happens to Adam Smith. Everyone knows, more or less, what Smith had to say about the formation of markets, and Waltz provides a brief overview, so there is no point in reiterating it. My purpose here is to make clear just exactly what is the contribution to political structures being claimed of Smith and markets. In terms of the analogy which Waltz is making, what Smith does is to explain how it is that through 'coaction' of like units, a sort of supra-unit force, or what Waltz calls "structure" emerges, and in what way this structure is a(n immediate) force of its own, affecting the units themselves. The effect is quite great, to the point where the creators of the market may plausibly be said to be creatures of the market. This is what Waltz wants to say of the international political structure; that each unit (state) typically seeks its own good, and that through the actions of a substantial number of states seeking their own good simultaneously, the aims of individual units are transcended. The international political structure is thus analogous to the market, in that the structure is interposed between the states and the results they produce. The structure is not itself an actor, in the sense that the state is an actor, but rather it conditions the behavior and calculations of states.

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[68] Ibid, 89.

[69] Ibid, 90.

But as is clear from the analysis of mercantilism of the previous section, there is something else at work here, and its omission shows that he takes this reasoning by economic analogy far too seriously - Smith's great achievement was indeed, as Waltz observes, "to show how self interested greed driven actions may produce good social outcomes *if only* political and social conditions permit free competition."[70] That is a very big if only. What he is acknowledging here is that there are necessary conditions for the creation of markets: suitable political and social conditions. What are these conditions? What do they look like? How are they brought about? These are questions which cannot be shrugged off in the perfunctory manner in which Waltz shrugs them off. He explains that the similarity of the two domains is derived from the notion that the essence of each is the self help principle, that it is through this that they are formed and maintained. He acknowledges that the difference between the two is that in economic realm the principle of self help operates only within the boundaries set by government (competition laws, proscription of false advertising, and so on, whereas international politics is "more nearly a realm where anything goes."[71] Thus, the two realms are significantly similar only "insofar as the self help principle is *allowed* to operate in [markets]."[72]

This is wholly inadequate. The system from which he draws inferences through reasoning by analogy is in fact not an anarchic system at all; something stands prior to the system, something very big, which is in fact inseparably bound up with both the creation and maintenance of the market, and that something is government. We cannot conceive of a market economy apart from government. Free markets à la Adam Smith involve a strong government, not a weak one. The move from feudal economy to a market economy necessarily involves the strengthening of government. Adam Smith explained the crucial position of government in quite some detail in his *Wealth of Nations,* something which Waltz does not mention. The government was implored to 'keep the ring', and this involved a terrific increase in economic infrastructure, and a power struggle between the central authorities and local authorities over the right to determine policy. Without these things no market economics would have been possible. In order for the market to emerge, the government had to become involved in the creation of what amounts to some sort of 'level of playing field', which allows for the free and fair competition between economic units to obtain, which is in turn said to produce all the gains from efficiency and so forth. That the creation of market economies involved a strengthening of government stands to reason: this level playing field is something which had to be actively brought into existence - it was not always there. To obtain free and fair competition, it is necessary to first do away with unfair competition, and that can only be achieved by stepping on someone (or some sector, whatever), because the reason the competition is unfair in the first place is because it is in the interests of some party to the competition that it should be so. The creation of free markets thus involve an act of political will - so much for the notion of the market emerging spontaneously.

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[70] Ibid.
[71] Ibid, 91.
[72] Ibid.

But neither is the market maintained through self help; and this is true irrespective of the degree of what we now call 'government intervention'. Even if there were no antitrust laws, no manipulation of economic aggregates, and so on, there would still be government playing a role in the maintenance of the system.

Without some maintenance of the institutions which provide for the level playing field, and some effective challenges to the players who get too strong, the market economy breaks down. Only the government can fulfill these tasks, and I take that pearl of wisdom from no less an authority than Adam Smith himself. The government is thus part of the structure and must be included in any analysis of that structure. The economic order is in reality not an anarchical order at all.

Given Mr. Waltz's preoccupation with structure, it seems a little disturbing that he would remain silent on this all-important aspect of the market. That so obvious a consideration is missed at this (pre?)theoretical stage indicates to me a bias in his thinking which leads him away from explicitly political considerations. What he wants to do is construct an apolitical theory of international politics, in much the same way that the modern economists attempted to construct an apolitical theory of economics. Neither is possible. But the point which must be emphasized here is that Waltz has no logical reason for the exclusion of such an important structural factor in his consideration of political structure.

What does its inclusion mean for the political structure he is concerned with? Insofar as Waltz is reasoning by analogy between different domains which are said to be structurally similar, the question which must be insisted on is: Where is the structural analogue of government in markets to international politics? If it is not there at all, then the two domains are too structurally dissimilar for reasoning by analogy. If it is, then we need to talk about it. In Waltz's estimation, the problem which has plagued political scientists in general, but more specifically those political scientists who take a systems approach to the study of international relations, is how to theoretically construct a system-wide structure free of the attributes and interactions of its units. But government is free of neither the firms nor the people whose transcended actions he maintains creates the structure of market. People and firms affect government in a very significant way - indeed there is little else which does affect government (besides other governments). It is a defining structural characteristic *and* it is closely related to the units in the system. In other words, to find an analogue to government is to define the structure in terms of some of the attributes and interactions of the units (states, in layman's terms). Either way, therefore, the whole edifice of Waltz's political structure is brought down. Or, at the least, this might be concluded from within the resources of his book: Waltz offers, be it noted, *not one single explanation* of how some supra-unit entity which mediates the actions of the units could possibly emerge from out of the units themselves, other than by way of reasoning by analogy to markets. And I can think of no other analogy or argument which might show the point. Waltz's theory thus fails on its own terms because those terms are impossible: one cannot hope to gain understanding about the 'units of analysis' within the terms of a general framework whose structure removes the units from analysis.

State as Orderer

But once this is established, his theory is nevertheless instructive, for some of the concepts with which he works in this case come to be seen in a much different light, and are themselves illuminating. In particular, Waltz's three defining characteristics of structure are especially illuminating when considered as applicable to a structure which is inseparably bound up with the attributes of systemic units, and I will make reference to these characteristics throughout the remainder of this section. Of course, one thing which they must in this case focus our attention on is a detailed consideration of 'state'. The language of state has pervaded this discussion since the idea of military force was introduced; this is unavoidable. It would perhaps have been ideal to first explicitly introduce the mercantile idea of state as orderer and then proceed to demonstrate how it orders military relations into a security structure. But it seems difficult to conceive of state apart from the action in which it is involved. State is a living, moving concept, and by proceeding as I have, I have shown that one cannot even begin to speak of the life and movement of international relations apart from state. The third defining characteristic of structure, that of the distribution of capabilities, focuses our attention not on the idea that there is some balance of power in existence, but rather on *which* states constitute it. It is patently absurd to claim that differences among international political systems can only be made according to the number of great powers which inhere in them. The system changes qualitatively depending on who the great powers are, and what their aims are. For example, a system characterized by the presence of one revolutionary or dissatisfied great power is qualitatively different from one wherein all great powers conduct their foreign affairs more or less within some generally accepted framework. In short, the distribution of capabilities tells us more than how many are powerful, it also tells us who is powerful, and there is no logical reason not to consider the latter factor when considering the nature of the international security structure. As Bull and Holbraad observed in their introduction to Wight's *Power Politics:*

> The idea that the behavior of a particular power in foreign policy - say, the United States - can be understood in terms of general laws concerning the behavior of powers, great powers, dominant powers or world powers, overlooks the fact that the United States has a unique character, that its policy is the outcome of domestic as well as of international circumstances, that the number of states in the states-system (by comparison, for example, with the number of citizens in any state) is quite small, and hence it may not be through generalizations that they can be best understood, but rather through specific knowledge of the individual character of each state.[73]

The individual character of each state is the second defining characteristic of structure, what Waltz refers to as the 'character of the units', by which he means not the characteristics which make states unique, but rather their functions in, and motivation to act within, international politics. But when this structure is conceived of as being defined explicitly in terms of the 'units' which constitute it, the sense of this characteristic changes, and it no longer fades away in the international realm. Waltz offers two justifications for the non-existence of this characteristic, one concerning the functions of states, the other concerning their intentions. I will consider the latter first. I would argue that his claim that, "no state intends to participate in the formation of a structure by which it and others will be constrained,"[74] is empirically false. Great powers have always actively pursued foreign policies with the intent of constraining others, and in their efforts to constrain others have themselves constrained. Because they are greater, these powers will have much wider interests than others, or rather the pursuit of their interests will have a much greater effect on international relations than will others. Great powers inevitably paint their policies with a wider brush, constraining more of others. Referring to these powers as 'hegemonic' powers, Bergsten, Keohane, and Nye observe of them that they are:

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[73] Wight, Martin, *Power Politics*, 2nd ed., eds. Hedley Bull, and Carsten Holbraad (London: Royal Institute of International Affairs, 1985), 17-8.

> able and willing to determine and maintain the essential rules by which relations among states are governed. The hegemonic state not only can abrogate existing rules or prevent the adoption of rules that it opposes, but can also play the dominant role in constructing new rules.[75]

But the situation, or order, so created, comes to be a constraint on themselves, as the authors further elaborate:

> Yet the inference should not be drawn that a hegemonical power is never required to compromise, or that it never loses on specific issues. Possession of dominant rule-making power does not necessarily imply control over every political process taking place within those rules.[76]

Each state's freedom of action, no matter how powerful, is reduced by what it has already done. If existing policies are to be maintained with any degree of constancy at all, as they must be if the power is to reap any benefits from policy, then a great multitude of present 'options' simply cannot be considered.

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[74] Waltz, p. 91.

[75] C. Fred Bergsten, Robert O. Keohane, and Joseph S. Nye, "International Economics and International Politics: A Framework for Analysis," *International Organization* 29, no. 1 (Winter, 1975): 14

[76] Ibid, 15

To tie the first and second of Waltz's defining characteristics together, the all-round constraining effect of these great power's policies is increased through the interaction of their policies, more commonly referred to as the balance of power. Where there is a balance of power, the internal constraints which states inevitably place on themselves through the very act of policy are increased by the force of conflicting interest backed up by power. But it should of course be noted that there is nothing inevitable about the balance of power. This point was well-made by Richard Rosecrance in his criticism of Waltz, through a rather wide ranging historical survey.[77] He concludes from this survey that the law-like quality which Waltz imputes to balances of power does not exist. In fact, balances are just as likely to obtain as not obtain, and overbalances may even be more peaceful and provide for greater over-all order in world politics than balances. Judging by history then, a balance of power is not a prerequisite for order in international relations. The notion that it is entirely misses the point that states seek power ultimately for no reason other than to impose a measure of order on the world around them; they do not seek power so that they may act in a random and capricious manner. Following the mercantile conception of state, the state exists as an orderer, its raison d'ètre is none other than the creation of artificial harmony which defines human existence. Thus, even in the absence of a balance of power, it is still possible to speak of order, or a security structure, in international relations. For the structure in that case would be defined mainly by the objectives and power of the preponderant state.

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[77] Richard Rosecrance, "International Theory Revisited," *International Organization* 35, no. 4 (Autumn, 1981): 707.

Of course, one might readily concede this point of order, but maintain that the order so defined would hardly be compatible with the idea of international relations. But here again, the idea of intentions, in every case different and unique, are given short shrift. The order which the preponderant state seeks may be world dominion, and it is true that the result in that case would be the demise of the state system were it successful, but it is not self-evident that preponderant states will necessarily pursue such objectives. It is for this reason that overbalances have, as Rosecrance points out, historically existed for long periods, and that such overbalances have not in fact always threatened the very existence of the states system.

Thus, it is clear that the only generalization which can be made with respect to power and the idea of intentions is one of a tautological nature, concerning the importance of preponderant states to the character of international relations. As states grow in power, they assume greater responsibility for the security structure, and this is true regardless of the ends to which they put their power. Participation of great powers in the formation of the security structure is not to be understood simply as meeting the requirements of power balancing. Bull observes that some states, "which have the potential for playing a major role - one thinks of the United States in the interwar period and Japan since her economic recovery after the Second World War - prefer to play a relatively minor one."[78] America's traditional distaste for European politics, exhibited by its proclivity to distance itself from other great powers, nevertheless had a great impact on those politics. Its maintenance of hegemony in the western hemisphere meant that conflicts of great powers had to be played out in other arenas, and it may be said that its absence from these arenas heavily influenced the course of events there. A state's impact on the security structure will grow as its power grows, because as it grows it constitutes an ever larger part of the structure. If there are six units of power in the structure, and state X controls two of them, then state X is important to the character of that structure, regardless of whether it actively engages or disengages other states. But either policy is the manifestation of the state's will to exert a measure of control over its surroundings and destiny, and states become powerful only because they wish to exert such control through control of the structure. Japan, which has the capacity for military might, does not bother because it is content to leave the structure as it is. America, on the other hand, was militarily powerful and chose to actively disengage itself from other great powers. But this does not mean that it did not want to exert control over the structure which its policy together with that of the other great powers defined. On the contrary, it sought to define the structure in such a way as to exclude their structural power from the entire western hemisphere.

In sum, it is the will to order which begets the order. The international security structure is defined by states who care enough about the character of the structure to maintain enough power to have an impact on it.

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[78] Bull, 112.

The Hierarchy of International Relations

In defence of the idea that his second defining characteristic of structure, that of the character of the units, fades away in international relations, Waltz observes the remarkable increase in the functional similarities of various states, but all the similarities which he mentions are with respect to a states own nationals. As such the observation is really quite irrelevant to his argument. It is the functions which states perform in international relations which is at issue, and it seems likely that differences in capability will effect differences in these functions. At the very least, differences in capability will determine which states are unable to perform any functions at all:

> A second important point, given the vast inequalities in the world, is that many weak microstates, such as Tonga, Lesotho, the Bahamas, Mauritius, and Sao Tomè - to name a few - have no foreign policies as we understand that term. They have little access to the decision-making points concerning global problems, and, for the most part, their actions have little impact on the global system as a whole. A few become involved in regional problems, but, in general, these actors are really subjects of international politics; they are highly vulnerable to events in the international relations external environment, and, yet, their policies have little impact on that environment. They are acted *upon*, but, given their weak diplomatic, economic, and military capabilities, they act upon few others. Their major hope of influencing international problems is to join diplomatic or military coalitions."[79]

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[79] Holsti, 75.

Which leads to a reconsideration of Waltz's first defining characteristic of structure, that of its ordering principle. There clearly exists in the world a rank ordering of states, although it is less clear where this state or that state stands. If there are power disparities among states, then they can, at the very least, be ranked according to their power. The significance of this observation is not lessened by its obviousness. What it implies is that states within the state system stand in relations of super- and subordination to one another, and that the system is as such hierarchic. Taking the exact opposite position, Waltz argues that, "[i]n the absence of agents with system wide authority, formal relations of super- and subordination fail to develop"[80] But it is not clear to me why it is that where authority becomes nothing more than an expression of capability, it cannot never-the-less be a system-wide expression. On what grounds is raw power irrelevant to relations of super- and subordination? The fact that relations are not formally recognized or accepted hardly means that they are not effective. Given power constellations define hierarchies, regardless of how states may feel about this, and great powers' policy can have system-wide effects, regardless of their authority to make policy with system-wide effects. The absence of authority at most implies the existence of anarchy, in the sense of there being no formally recognized government in international relations. But the absence of government in international relations hardly constitutes proof of the absence of hierarchy, and at least one scholar has referred to international relations as an 'anarchic hierarchy'.[81]

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[80] Waltz, 88.

It can be said of present international relations that their order is defined mainly by the order which exists in the relationships of the superpowers, who stand at the pinnacle of this anarchic hierarchy. And as Paul Keal points out in his study of the ordering effect of these two states on international relations, a pillar of the order in superpower relations is the acquiescence of each in the other's sphere of influence.

> The defence of spheres of influence in general, as principles of order, is that they diminish the prospect of conflict in the international system partly by marking out areas of the world in which the writ of one great power is to run, and thus remove that area from external challenge, and partly by asserting a hierarchical relationship which maintains order within the bloc.[82]

The hierarchy within the bloc provides a great deal of order to intrabloc relations:

> In contemporary international politics, states within the same sphere of influence have, by and large, not resorted to force against each other during the past thirty years. Disputes between them have been muted and have not become international problems with implications beyond the immediate regions in which they occur. For instance, disputes between the states of eastern Europe, of the sort which were very much in evidence before World War II, no longer reach the surface of conscious political activity. It is not that there is no longer any internal conflict in these states or any rivalries between them, but that the presence of an influencing power keeps them in check. To a certain

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[81] Richard Little and Robert D. McKinlay, *Global Problems and World Order* (Madison: University of Wisconsin Press, 1986), 74.

[82] Paul Keal, *Unspoken Rules and Superpower Dominance* (London: The Macmillan Press Ltd., 1983), 199.

> extent, the order which obtains in relations between influenced states, in the same sphere of influence, is the result of each one of them acting in accord with what they perceive the influencing power to require. By so doing they maintain order between both themselves and the influencing power.
>
> The regard shown by influenced states for what they perceive to be the requirements of the influencing power amounts to the recognition of hierarchy."[83]

An Ex Ante *Conception of Power*

Perhaps the most popular definition of power is that given by Robert Dahl,[84] who termed it simply as the ability of A to get B to do something which he would not otherwise have done. This is relational power. It speaks of A's power in relation to B. The problem with such a definition of power, although it is a very useful one, is that power is in this case an *ex post* concept. That is, we cannot tell if there is power present until after the fact of its exercise. What this means, as a practical matter, is that it is not possible to say anything about power relationships in the world, because such statements must be made in advance of events.

This is the effect of David Baldwin's[85] advice that we should consider power as 'situationally specific' and proceed to analyze it in a 'contextual manner', for it seems of little use to dream up situations and then say that some country would be powerful in that situation, which is where those ideas lead in anything but an *ex post* sense.

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[83] Ibid, p. 200.

[84] As described in Hart, "Three Approaches to the Measurement of Power in International Relations," *International Organization* 30, no. 2 (Spring, 1976): 291

[85] David Baldwin "Power Analysis and World Politics: New Trends Versus Old Tendencies," in *The Theory and Practice of International Relations* 6th ed., eds. William C. Olson, David S. McLellan, and Fred A. Sonderman (New Jersey: Prentice-Hall, Inc., 1983).

And even in this sense they seem to me to be woefully inadequate. America failed to achieve its objectives in Viet Nam, as he observes. But is there not never-the-less some sense in which we can say that America is, in a word, more 'powerful' than Viet Nam? Baldwin specifically contradicts the idea of the special importance of military power: "Phrases describing force as the 'ultimate' form of power imply that all forms of power are arrayed on a single continuum of effectiveness or importance."[86] In fact it does not. I have argued here for the primacy of military power because of the importance of the role which it plays; this says nothing about other forms of power.

Military power on a sufficient scale to have an impact on the global security structure is therefore structural power which is an *ex ante* concept. We can say in advance of any particular event or situation that structurally powerful countries are powerful in relation to others, not because structural power is 'fungible'. That idea misses the point entirely that power does not have to be actively employed to be real none the less, and a force in international relations. The significance of structural power is that the structure provides the basis of order in international relations, and structural power is what defines the structure. In other words, such power orders relationships; much more important than the power outcome in any given 'situation', it defines what situations are likely to arise in the first place. Susan Strange explains structural power as follows:

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[86] Baldwin, 113.

> ...[T]he possessor is able to change the range of choices open to others, without putting pressure directly on them to take one decision or make one choice rather than others. Such power is less 'visible'. The range of options open to others will be extended by giving them opportunities they would not otherwise have had. And it may be restricted by imposing costs or risks upon them larger than they would otherwise have faced, thus making it less easy to make some choices while making it more easy to make others.[87]

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[87] Strange, 36.

5. The Unity of Mercantilism

The preceding section contained an argument for the necessity of seeing the particular constellation of military forces which occurs in the world at any given time as the first ordering principle of international relations. But in the description of mercantilism offered in Part I, the mercantilism being promoted in this paper, it was found that a central element of the mercantile perspective on international relations was the notion of the co-primacy of 'power' and 'plenty', or, more precisely, the idea that they are two inseparable parts of the same whole. Is not there a serious inconsistency developing here? How can one argue that even the analytical distinction between power and plenty is difficult to justify, while at the same time holding that in order to understand the state of international relations, one must first understand the state of military relations?

But the problem can be handled simply by asking from where it comes. It arises only because of an automatic tendency to associate 'power' with the idea of 'military' relations, and not 'plenty'. 'Power' concerns the management of strife, ultimately through military forces, and is the stuff of politics - or, at least of politics as conceived of by the modern realists.[88] Plenty concerns the production of wealth, material evidence of that which is good in human relationships (to the extent that it results from cooperation), often referred to as 'economics'. And, judging from much of the contemporary writing, never the twain shall meet. This section argues against the tendency to separate politics and economics, and tries to show why they should be treated as things of a kind. Perhaps the best place to begin is with reference to the apparent inconsistency noted above, which is but a single manifestation of this ingrained dichotomy in our thought. I maintain that there is no real reason to think of military relations as substantially different from productive relations.

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[88] As argued in section 3 above. Consider, as only a more obvious example, Morgenthau's famous definition of politics as 'the struggle for power'.

The security structure in the world is the framework of power created by the provision of order by some human beings for others. This power framework is organized around the institution of state at the present moment of history. The states mainly responsible for the substance of the power framework which constitutes the security structure gain, in the process of creating it, a power of a different sort from that which went into it. Through their provision of order, they are able to limit the range of choices open to others, and in this way structure international relations in a manner more favorable to themselves. As Susan Strange notes:

> By exercising this power, the providers of security may incidentally acquire for themselves special advantages in the production or consumption of wealth, and special rights or privileges in social relations. Thus the security structure inevitably has an impact on the who-gets-what of the economy. It cannot be left out."[89]

This a kind of an 'invisible' advantage, or structural power, which accrues to providers of security as a result of their central position in the central structure of the world. But it is more than just a simple question of mighty military states being able to exploit the global production of wealth. For the idea that global economics rest ultimately on the structure of military relations calls into question the often assumed 'apolitical' character of various production structures. This claim is made of one class more often than others: market structures. In the critique of Waltz's reasoning by analogy to microeconomics offered above, it was noted that the absence of active government participation in markets implies neither the nonimportance of government in markets, nor more generally their apolitical character. The same is true of markets in international relations, as Bergsten, Keohane and Nye noted:

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[89] Strange, 45.

> The fact that a particular economic activity is characterized by non-political behavior (for instance, when transactions are carried on through a market system) does not imply that politics is unimportant. Indeed, politics may have been crucial in establishing the setting within which the activity took place, the structure of relations in the overall system. This second 'face of power' is extremely important in determining what issues are raised for political decisions and what issues are not.[90]

Just as in the critique of Waltz's reasoning by analogy offered above, which noted that government stands prior to market, the inference for markets in international relations is that states stand prior to them. So far from the idea of the apolitical character of markets, or of markets constructed in a manner unrelated to power, the very existence of markets can always be taken as proof of power at play.

But the idea of power clearly needs to be expanded upon. Thus far, it has been mainly confined to a conception of something which derives from military forces, and this is insufficient. The measure of power is not exclusively military; there are a host of other things which create power. For example, although I have spoken of production as resting on military power, there are clearly 'economic' forms of power: control of scarce resources, market power, technological advancement, and so on. There are many different 'chessboards', to borrow Stanley Hoffmann's allegory[91], upon which international relations are played out, and military power does not always prevail. On many chessboards, the Europeans play more effectively than the Soviet Union, and the Japanese often play more successfully than does the U. S., and so on. There is, therefore, more to order in international relations than military relations. This fact does nothing to weaken the assertion of the supremacy of military power, however, for the argument here is that all of the chessboards are interconnected, and that all rest ultimately on the chessboard of military relations. The Japanese play so well on their chosen chessboard at least in part because they are able to take as given the game played out - to their satisfaction - on the military chessboard. And all the talk of interdependence still focuses for the most part on nations who conduct their affairs in an atmosphere underwritten by American military might. Where this might does not extend, into the second world nations for example, arguments pertaining to economic interdependence wear thin, when they can be found. And military might is enough to remove a nation from most interdependencies, as the case of China has shown. But the deeper and more fruitful argument, implicit in the notion that all chessboards rest ultimately on the chessboard of military relations, involves the interconnectedness of the chessboards. Considering this interconnectedness obviates the need to develop conceptions of this type of power, or that type of power, pertaining to the various chessboards. All power is of a kind, and it pertains to the overall chessboard of international relations. We begin to consider, for example, the economic dimensions of military power.

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[90] Bergsten et al, 5.

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[91] Stanley Hoffmann, *Primacy or World Order* (New York: McGraw-Hill Book Company, 1978), 119-32.

Military relations, the cornerstone of the security structure, are themselves dependent on the production of wealth, which must to some extent be the result of cooperation. Consider the following observation from R. D. McKinlay and R. Little:

> Economic policy can become national security policy in a variety of ways. Trade, investment or monetary interactions lend themselves to a host of means of influence or coercion. Even when such interactions are not deliberately transformed into means of influence, states can find themselves subject to a variety of vulnerabilities, or what Cooper terms disturbance, hindrance or competitive effects, all of which can be seen as threats to sovereignty. But perhaps most importantly, economic considerations play a critical role in influencing and structuring the whole international power distribution.[92]

They have to, of course, because the power distribution is largely an economic output. This is the sense of neomercantilist thinking on political power relationships, as Gilpin elaborates:

> In the short run, the distribution of power and the nature of the political system are major determinants of the framework within which wealth is produced and distributed. In the long run, however, shifts in economic efficiency and in the location of economic activity tend to

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[92] Little and McKinlay, 148.

> undermine and transform the existing political system. The political transformation in turn gives rise to changes in economic relations that reflect the interests of the politically ascendant state in the system.[93]

The security structure influences economics in the manner which I have noted above, because of its priority in international relations. But success at the economic relationships taking place within a given security structure may define politically ascendant states, and undermine the power position of states formerly central to that structure, in turn creating a new structure.

One thing which is clear from all of this is that the central states must *necessarily* possess a great capacity to produce wealth. They must have sufficient wealth that enough of it can be spared for use in making a substantial commitment to the security structure. But it must be stressed that the production of wealth is not, therefore, that which mainly contributes to a nation's standing in the world; military might is, for all the reasons given in the preceding section. This point can be illustrated by an examination of the present day superpowers. If nations were ranked overall according to their productive capacity, the Soviet Union would not even be in the same league as the United States. But because its productive capacity is sufficient to create a military capability which is the only one comparable to that of the United States, no one questions that it should have the title of 'superpower'. First among nations, these two clearly stand at the center of international relations, and this fact is best explained in terms of their military might. Similarly, Japan, although presently in the ascendancy, will never come to acquire this central position until it acquires the military trappings that accompany it.

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[93] As quoted in Little and McKinlay, 148.

Nonetheless, the point remains that military might cannot be conceived of apart from an ability to produce wealth. The particular economic situation of a given country will thus have a profound effect on the nature of its 'military-political' or 'high' policy. This point is consistent with observations made by Paul Keal in his study of superpower dominance:

> Intervention, however, is merely the most obvious assertion of hierarchy. So far we have been treating order as a political arrangement of stable possession maintained by periodic intervention to remind errant states of the existence of a hierarchy. It may also be an economic arrangement and indeed neo-Marxist literature would cast spheres of influence entirely in this form.[94]

In this connection he notes Michael Barrat Brown's argument on the importance of economic relationships within the second world as aiding Soviet dominance there:

> Brown argues that the economies of the states of eastern Europe are subordinated to that of the Soviet Union and that commodity exchanges between the former and the latter have been such that workers in each have been unaware "of the proportion of their current labour time that was being taken from them to invest in the future through the relative prices and wages that were being centrally fixed."[95]

And he concludes that:

> ....Influencing powers maintain order in two ways, by policing actions such as intervention and through economic

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[94] Keal, 200.
[95] ibid, 202.

> structures which tie the actions of influenced states to their bidding.[96]

When one begins to think of economics in these terms, it becomes difficult to distinguish economic relations from military relations. It begins to go beyond the idea that the military is an economic output, towards the idea that all economic outputs are military outputs. Here is again the chicken and egg dilemma at work. Things begin to look so interrelated when viewed from this vantage point that it becomes difficult even to conceive of them as separate.

The fact of the extent of this interrelatedness calls into question the usefulness of many definitions of either politics or economics. Consider that offered by Gilpin, when he distinguishes between politics, "concerned with the relative distribution of power, and economics, concerned with the absolute production of wealth."[97] The explanation offered above by Gilpin on the potential effect of changes within the global production of wealth on the international security structure, and the observation that the nature of the security structure effects the global production of wealth, is about as good an explanation of the relationship between politics and economics as can be found anywhere. And yet his definitions of politics and economics still lack, because they ultimately maintain that the distinction between politics and economics is more real than imagined: each is defined in a self-contained fashion, so that one could be studied, then the other, and then the relation between the two expanded upon. But this misses the point that there is no real distinction between them.

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[96] ibid, 204.
[97] Sylvan, 376.

This requires some clarification. Politics and economics are inevitably and inseparably bound, but not because one is the other or the other is the one. They are bound because they are two parts of the same whole, two sides of the same coin. Now when you look at a coin, although you can only see one side of the coin, you do not say 'I am looking at one side of a coin', but rather 'I am looking at a coin'. But the former is precisely what is said in producing an account of anything of any import in international relations using either a 'political' or 'economic' rationale. It is not possible to really know the coin until you have examined both sides; so it is with international relations. The task of knowing international relations is, however, much more complex, and not simply because the subject matter is more complex. You can take a look at one side of a coin, and then the other, and then you have pretty well got that coin figured (abstracting out such considerations as material the coin is made of, i.e. you have the form of the coin figured). But one cannot figure the form of international relations by looking at the economic side and then the political side. This is because they affect each other and interact to such an extent that no real distinction can be made between them, and even the analytical distinction becomes difficult. Again, it is not that economics is politics, or vice versa, but rather that together they are both something more. It follows, therefore, that a 'good' approach to the study of international relations is one which incorporates principles of economics and principles of political science in a simultaneous fashion, or which transcends both by beginning the study of international relations in a manner incognizant each - or, more precisely, in a manner which does not recognize the artificial distinction between them.

The effects of such unity of thought would be to greatly increase the richness of analysis in international relations. All phenomena would come to be seen in their actual multi-dimensional context. As but one example of how this analysis might proceed, I offer a brief consideration of autarchy in international relations.

Autarchy is a relatively recent phenomenon in the sense of it now generally being a question of choice. A nation can buy its goods and services abroad at the cheapest possible cost to itself, or it can provide varying degrees of the same internally, thus incurring substantial costs which manifest themselves in lowered standards of living. In former times it was a question of necessity. Among subsistence economies, there is little call for trade; moreover, the costs of transportation were prohibitively high, so that it was not practical to trade in all but the most precious of commodities. But advances in transportation technology radically altered this situation. Today, for many traded items it often makes little difference whether they are produced across the border or across the ocean, it is increasingly a question mainly of the producer's sale price. Consider also that mass production techniques lower the cost of production substantially per unit produced. These two factors lead inexorably to the conclusion that the ultimate global economy is one characterized by specialization and concentration of production and the free flow of goods and services. The rationale for a global free trade regime begins to become intellectually overpowering. As Carr observes:

> Not only are our needs today more highly specialized than ever before, but we live in a world where, for the first time in history, it might, from the standpoint of cost, be possible - and perhaps even desirable - to grow all the wheat consumed by the human race in Canada, and all the wool in Australia, to manufacture all the motor cars in Detroit, and all the cotton clothing in England or Japan. Internationally, the consequences of absolute laissez-faire are as fantastic and unacceptable as the consequences of laissez-faire within the state. In modern conditions the artificial promotion of some degree of autarchy is a necessary condition of orderly social existence.[98]

The reduction in costs made possible by the specialization which free competition calls for involves not only a concentration of production, but also a concentration of power. If a country produces all the widgets in the world, it has a lot of power in the widget market. Thus, one can understand why countries resist free trade and tend towards varying degrees of autarchy, even at substantial costs to themselves. Free trade involves a loss of power, which implies a loss in the nation's ability to control its own economic activity, and as a result, its own destiny. The liberal might respond that there is an interdependent community of nations in the world, and that the attempt to exert control over destiny is therefore hopelessly naive; his program is, in this sense, a passive one, and a policy of free trade amounts to the absence of policy. But this misses the point that it is the will to try which is ultimately the 'stuff' of politics. Even though it may be said that in some narrow sense the cost of living is increased by autarchical policies, such costs may be offset by gains in the predictability of economic activity, and by the enhanced security of the society which comes with the realization that the issues which are fundamental to its very existence are not totally beyond its control.

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[98] Carr, 115.

Autarchy can also be seen in terms of war, Carr points out:

> Autarchy is, however, not only a social necessity, but an instrument of political power.[99] It is primarily a form of preparedness for war.[100]

Carr was writing in the wake of the Great War, and it is easy to see why he should see autarchy in its 'political' sense primarily in terms of war. Novel submarine technology had greatly enhanced the effectiveness of blockade in that war, and to a very large extent the success of a country's war effort turned on its ability to sustain itself on internal resources. What it could not provide for itself, it would have to do without, and if it could not do without, it could not fight. The implementation of autarchy, or the development of autarchical capabilities, is thus a defensive response to the offensive action of blockade. When one begins to think of the 'economic' policy of autarchy exclusively in terms of weaponry, it is no longer possible to term it as absurd simply because it is less cost effective in providing goods and services than free trade would be. Again from Carr:

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[99] But if autarky is a means of attaining some social necessity (which is more to the point than the above 'autarky is a social necessity'), then it is, on that basis, political power. Carr's tendency to apply 'political power' only to matters of high conflict between states, especially military, is a problem characteristic of all realists. The exclusive association of power with conflict misses the importance of non-conflict factors in international relations.

[100] Carr, p. 121.

> Autarchy, like other elements of power, is expensive. It may cost a country as much to make itself self supporting in some important commodity as to build a battleship. The expenditure may turn out to be wasteful, and the acquisition not worth the cost. But to deny that autarchy is an element of power, and as such desirable is to obscure the issue.[101]

Autarchy can thus be described in the political terms of the modern realist, as a quest for power to resist the encroachments of other states and to provide for national security. Alternately it can be described in economic language: it is the policy of states who struggle to create an economy for themselves as free as possible from the influence of economic developments of external origin. But no matter which explanation is used, autarchy will have an effect on the character of international relations. Moreover, there is no real reason to gravitate towards one and not the other; after all, the two explanations are really not so different, but are interrelated, as are politics and economics.

The point is that unity of thought is needed if international relations are to be adequately understood. As Bergsten, Keohane and Nye have observed:

> Politics and economics are interwoven strands in the fabric of world order. Two world wars, a depression, and the cold war have made us well aware of the important causal effects of each on the other. Unless definitions of *politics* and *economics* are arranged so that one category necessarily includes all fundamental phenomena of the other, neither economic nor political determinism can explain events successfully."[102]

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[101] Ibid, p. 124.

[102] Bergsten et al, 4.

I would not presume to offer such monumental definitions, but I will assert that they exist. They have to, because of the unity of politics and economics spoken of in this section. In the next section I will, therefore, confine myself to the related but lesser task of showing the relevance of the realist tradition of thought to areas which are widely thought to be off-bounds to it, 'economic' issues and the interdependencies which these create.

6. State and Power in a World of Economic Interdependence

> Since it derives from economic analysis, the neo-liberal paradigm has been very successful over the last decade in picking up the shift from security to prosperity concerns in government policies as well as pointing to the prominence of domestic factors in the expanding scope of policy.[103]
>
> To be sure, realism is an inappropriate theoretical perspective for analyzing issues stemming from interdependence, as realists themselves would readily admit.[104]

The purpose of this section is to consider the character of the global production of wealth and the interdependencies which this creates, abstracting from military considerations; that is, to consider the global production structure apart from the security structure upon which it rests. In the last section I argued for the unity of politics and economics in terms of ideas concerning the priority of military power (represented schematically as security --> cooperation --> good) and the dependence of security on cooperation (cooperation --> security). Now the focus changes to the strife inherent in cooperative efforts (security --> cooperation). The idea here is to show the continuing relevance of such realist concepts as 'state', 'power' and 'strife' in areas where it is widely thought that realism is not applicable. This section thus contains two further divisions, one showing the indispensability of realist thinking in this area, the other bringing an attack to the foundations of the liberal conception of the production structure which was provided by the anti-realist classical economists.

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[103] Peter J. Katzenstein "International Relations and Domestic Structures: Foreign Economic Policies of Advanced Industrial States," *International Organization* 30, no. 1 (Winter, 1976): 11.

[104] Stanley J. Michalak, Jr., "Theoretical Perspectives for Understanding International Interdependence," *World Politics* 32, no. 1 (October, 1979): 149.

The Realist Language of International Production

To begin with, it should be perfectly clear what is understood by the global production structure. Susan Strange offers the following definition of 'production structure' in general:

> A production structure can be defined as the sum of all the arrangements determining what is produced, by whom and for whom, by what method and on what terms. It is people at work, and the wealth they produce by working. They may be helped by animals, or by machines. Their efforts may be supplemented by a bountiful Nature. But it is about how people at work are organized and what they are producing. The production structure is what creates wealth in a political economy.[105]

We can speak of a global production structure because producers, to an ever larger extent, aim their goods and services at markets which extend beyond their national boundaries. Because producers look for markets abroad, and consumers increasingly seek better deals abroad, foreign investment and global markets occur, and economies become 'interdependent' in the sense of movement away from autarchy. To be sure, economic activity is now more global in scope than it ever has been before. But this statement, in and of itself, does not prove the liberal position on the expanding and beneficent role of economics in international relations. One must enquire as to the effect that this development has had on the state system. I maintain that the state system has not changed appreciably as a result of globally orientated economic activity - not, at least, in the sense that it has changed the way that nations deal with each other.

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[105] Strange, 62.

Demonstrating this point involves a rather in-depth analysis of the idea of economic interdependence. The idea, as it is typically bandied about, stands to represent a force which weakens state - all state - power, and hence calls into question the state-centric realist approach to the study of international relations. Consider the following:

> Despite the great value placed on independence, sovereignty, and territoriality, political, economic, and technological changes have made the nation state highly vulnerable to outside intrusions and, in some cases, to overwhelming external controls... [M]ost governments in the 1980s can do little to control the high rates of inflation, because the forces producing price increases are mostly external. Thus, whatever our emotional commitment to the notion of independence, the interdependent and 'penetrated state' is the normal type of actor, not the exception. The domestic and foreign policies of countries are thoroughly intermixed as they were not in previous eras, and the possibilities of governments undertaking major domestic policies without considering the limitations imposed by external conditions are slight. Unemployment levels in Western Europe, for example, have as much to do with the price of Middle East oil or the interest rate policies of the United States as with conditions on the continent.[106]

The state is 'vulnerable' to 'external controls', and is typically 'penetrated'. There are problems with that kind of talk which will become clear as the argument progresses. Here, I will focus on the examples given above in an expository manner so as to come to better terms with just exactly what is meant by 'interdependence'.

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[106] Holsti 65.

Low interest rates in America tend to lower interest rates on the continent. Whatever one thinks about the employment effects of this in general, it will have the same effect on the continent as in America; thus, the fate of the continent and America are in this case linked in a positive manner. The example given concerning inflation is ambiguous: the fact that the state of an economy may be influenced by external events does not seem by itself especially significant. This point can be made with reference to the last example given above. If unemployment levels in western Europe are affected by the price of oil in the middle east, the continent and the middle east may be interdependent, but what does this tell us? If the price of oil rises, the Arabs get wealthier, whereas the Europeans, faced with rising industrial input costs face rising unemployment levels, get poorer. Thus, the changing oil price benefits one and harms the other. This concept of interdependence does not seem especially useful. In this sense enemies are interdependent because each improves its position at the expense of the other. The superpowers, because of their awesome nuclear potential to harm one another, become the two most interdependent nations in the world if we follow this line of reasoning to its *reductio absurdum*. Thus the idea has to be in some sense restricted, as Rosecrance has observed:

> Most students, of course, have wished to use interdependence in a positive sense to see higher interdependence as a fundamental force for better relations among nations. If interdependent relations are to interpreted in this way, the loose and general notion of interdependence must yield to more precisely and narrowly defined concepts. In this paper, by 'interdependence' we

> mean the direct and positive linkage of the interest of states in such a way that when the position of one state changes, the position of the others is affected, *and in the same direction.*[107]

Still one further refinement is needed. It is useful to explicitly state, although it may be obvious, that the term 'interdependence' is shorthand for 'mutual dependence'. The expansion of global production may perhaps have detracted from the national ability of all states to control their economies, increasing mutual dependence overall. On the other hand it may have altered dependencies, increasing the dependence of this country on that and so on, which tends to create what is more properly called 'dependencies' rather than 'interdependencies'. As Rosecrance observes in another article:

> In other words, there seem to be two different concepts of interdependence. The first is an absolute conception, which relates national capabilities to the international sector: are the former more or less adequate to meet the challenge presented by the latter? The second is a relative conception, which asks which states are most capable of dealing with the challenge. Smaller states are relatively less capable than larger ones, and are therefore more interdependent[108]

This is an important distinction to make. Overall levels of interdependence, as evidenced by masses of statistics on trade flows, foreign direct investment, capital flows, joint ventures, and all the rest may be on the rise. One must get behind these statistics to see their real significance. For example, rising trade levels may make every country a little more dependent on others, increasing mutual dependence, in the sense that every country becomes more dependant on trade with others than was previously the case. But to the extent that some countries are relatively more able than others to cope with trade flows in terms of specifically national policy, the fact of increasing mutual dependence serves only to bind countries together in an unequal production structure. Countries trade because they find it more efficient, but for a small economy such trade may be more than 'beneficial' in the sense of providing gains from efficiency and access to wider markets, it may spell the difference between subsistence and disastor. The large economy, on the other hand, while it may benefit from the trade, may not notice the absence if it is disrupted. The idea that two countries may be gaining increasing benefit from a trade relationship, is consistent with the idea that one is much less dependent on the other for gain.

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[107] Richard Rosecrance et al, "Whither Interdependence?" *International Organization* 31, no. 3, (Summer, 1977): 426.
[108] Richard Rosecrance, "International Theory Revisited," 706.

And, as a general rule, in any economic relationship some country is always less dependent in this relative sense. This relative dependence typically turns on the size of economy: larger economies are less relatively dependent, *ceteris paribus,* than smaller. There are two reasons[109] why this is so. First of all, it may be said that the larger an economy is the less dependent it is on imports. An economy which relies on imports for 100% of its consumption of good X need not be dependent on the imports of good X in the sense that its import requirements make it vulnerable to the world economy. If a country has 1001 eager suppliers of good X, it is difficult to see how its freedom of policy might be constrained by its import requirements. Only if a country imports a major portion of good X *and* imports from a small number of suppliers is there a potential for dependency in the political sense. The larger an economy is, the more likely it is to have alternate supply sources readily available, and hence the less dependent it will be on imports. Secondly, the larger an economy is, the less sensitive it is to general economic trends, or to policy originating elsewhere. By and by, the large economic powers set trends, they do not follow them. As for policy, consider that, for example, a small portion of America's trade constitutes a large portion of many another country's trade. Thus, America's economic policies often have the profoundest effect on many other countries' economy, even when this is not the intent, whereas their policy impact on America is negligible.

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[109] These arguments are developed more fully in Kenneth Waltz, "The Myth of Interdependence" in Charles Kindleberger, ed., *The International Corporation* (Cambridge, Mass.: The M.I.T. Press, 1970), 211-13.

The real significance of the interdependence inherent in the global production structure, therefore, is that it binds nations together in a hierarchical manner, in much the same way it was noted in section five above that the security structure creates an international hierarchy. In either case, the hierarchy is one defined in terms of power disparities. Of course, I am abstracting out military considerations here, and there is only one overall hierarchy defined by both of these together, which as I have argued in section six above, are not really distinct to begin with. But this makes the point that relationships of economic interdependence are actually power relationships which contribute to the definition of an hierarchical world order. Of course, changes in the hierarchy have profound effects on the entire production structure, as evidenced by recent history:

> International competition has intensified and has become disruptive precisely because the United States has lost much of its technological lead in products and industrial processes. As happened in Britain in the latter part of the nineteenth century, the United States no longer holds the monopoly position in advanced technologies. Its exports must now compete increasingly on the basis of price and a devalued dollar. As was the case with Great Britain, the United States has lost the technological rents associated with its previous industrial superiority. This loss of industrial supremacy on the part of the dominant industrial power threatens to give rise to economic conflict between the rising and declining centers of industrial power.[110]

The idea of an *ex ante* conception of power is implicit in the notion of a hierarchy arising out of a structure here as well. Nations at the top of this hierarchy have, by virtue of their position, structural power. They set the agenda of international economic relations. What will be produced in the world economy is decided for the most part by its main national constituents, other countries largely attempt to fit their economics to match this pace. This *ex ante* power stretches beyond governments of course, and affects the whole host of nonstate actors so often referred to as evidence of the declining importance of state. For all economic actors in the world economy, whether state or nonstate, must act within the global production structure defined by great powers. For example, Susan Strange notes that:

> ...And in such transnational relations, the relations across frontiers with some governments will be far more important in determining the outcomes in political economy than will relations with other governments. For example, it is a

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[110] Robert Gilpin, "Three Models for the Future," *International Organization* 29, no. 1 (Winter, 1975): 46.

> recognized fact in business circles that decisions taken by the U. S. Supreme Court, and sometimes by lesser courts, or by some federal or state agency of the U. S., may be of crucial importance far beyond the border of that country. The 'global reach' of the U. S. government is one of the features of the contemporary international political economy that is easily overlooked by too close attention to international organizations and so called international regimes."[111]

Nonstate actors realize that they act within the limits laid down by governments, and for the most part, powerful governments. None-the-less, the undeniably increasing importance of nonstate actors as key players within the global production structure, such as multinational corporations, throughout the post-war era (although it may be argued that, as strictly speaking nonstate entities, they reached their apogee of political import in the 1970s) has led to serious question regarding the utility of focusing on state in the study of international relations. This is the intent of Keohane and Nye's[112] now very famous theory of 'complex-interdependence'. They argue that the overly constrictive 'state-centric' paradigm should be in many issue areas set aside in favor of a broader 'world politics' paradigm which treats the state as but one actor in international relations. Hedley Bull has offered the following perceptive criticism of this type of thinking:

> ...It is true that since that time state intervention has grown in economic and social life .... and that, as a consequence of this, state-to-state relations have a much larger economic, social and ideological content than they had in 1914. But is

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[111] Strange, 21.

[112] The theory was originally offered as a useful alternative to realist theory in certain issue areas in Keohane and Nye, *Power and Interdependence* (Boston: Little, Brown, 1977)

> this a sign of the increased importance in world politics of actors other than the state, or is it rather an indication that the states-system has extended its tentacles over world politics to deprive business corporations and bankers of, labor organizations, sporting teams, churches and intending migrants of the standing as autonomous actors that they once enjoyed?[113]

An interesting question indeed. My own sense of the matter is that the political importance of various nonstate actors has been largely over-rated. With regard to the multinational corporation, the phenomena which seemed more than any other to draw out the 'sovereignty at bay' theories, Zysman and Cohen pointed out that:

> The Japanese first showed that a government could act as a doorman to the national economy, breaking up the package of management, finance, technology, and control represented by the multinational corporation and forcing the pieces to be recombined under national authority. Other countries quickly learned these lessons. Government and politics had mattered all along; Their influence had simply been obscured."[114]

There are, of course, differing opinions on this matter. Rosecrance, in a criticism of the answer which Bull obviously supplied to his rhetorical question, argued the other side:

> But what is true today, in contrast to former epoches, is that economic relationships and factors are intimately involved in national political decisions; and further, that the national ability to disengage oneself from the network of economic interdependence is much less widespread than it was thought to be in the past.[115]

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[113] Bull, 279.

[114] J. Zysman and S. S. Cohen, "Double or Nothing: Open Trade and Competitive Industry" *Foreign Affairs*, 61, no. 5 (1983): 1117.

[115] Rosecrance, 691.

Either way, it seems to me that the conclusion that states are of continuing central importance in the study of international relations is inescapable. Indeed, if one argues along with Rosecrance, the state actually increases in importance. If nations are beginning to lose control of their policies because policy gets away from them due to economic factors, this only serves to heighten the importance of such control as does remain. To the extent that economic factors are both politically important and beyond any official political control, they are forces of chaos in international relations. International relations are ordered by states, and the rise of such forces detract from the state as orderer.

But the decreased role of state as orderer would only in that case increase its vital importance as a remaining force for order. The idea of market cannot fulfill this role, because it is dependent on state for its existence. And that is the crux of the matter. State creates markets, or rather they create the circumstances which allow markets to flourish; but to the extent that markets flourish in a manner which has significance in the sense that Rosecrance ascribes to them, they 'get away' from states. Friederich Kratochwil makes this observation in his subtle study "Of Systems, Boundaries, and Territoriality: An Inquiry Into The Formation of The States System", when he observes the existence of several "contradictory tendencies" inherent in international relations, especially the differentiating principle of sovereignty versus the presence of economic interdependence. As he says, "[t]hus, while political systems are boundary-maintaining systems, markets - although dependent for their creation upon political power and economic networks, are not."[116] If we put a lot of stock into the notion that markets are breaking boundaries in a manner which states cannot control, then we must see that it is as if the state, having once let the genie out of the bottle, cannot get it back in. But still, it and only it, is capable of exerting influence or control over the genie, and it can never ultimately be eradicated by the genie because the state is - as argued above - a prerequisite for the existence of the genie. It is for this reason that the importance of the state grows, rather than diminishes, as the genie grows, as Kratochwil further observes:

> ...The advantage of the all or nothing principle of territorial sovereignty in this respect is not merely its simplicity, but the implicit presumption that, in the face of newly emerging problems, the territorial unit - and only the territorial unit - has the right to regulate matters. Thus, although clear boundaries create problems by excluding others, they also simplify international life. In the political arena, they appear at present to be the precondition for the existence of national independence, constitutional rule, and responsible government by creating and reinforcing significant breaks within the stream of transactions of world society."[117]

As markets grow in power, the state stands as a declining source of order, to counter the increasingly chaotic and degenerating tendencies created. That this is the result, I will argue shortly.

Presently, I want to point out that the state has a moral obligation to do what it can to control markets in such a way as to promote the national interest; whether this involves restricting or expanding them is a matter of circumstance. As R. D. McKinlay and R. Little note:

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[116] Friederich Kratochwil, "Of Systems, Boundaries, and Territoriality: An Inquiry into the Formation of the State System," *World Politics* 39, no. 1 (October, 1986): 43.
[117] Ibid, 50.

> In the first place, governments have a duty to monitor and manage their international economic interactions. States have an obligation to ensure in whatever network of international economic intercourse they find themselves lodged or which they choose to pursue that the national interests of their citizens are promoted... Governments, then, must monitor and manage their foreign economic policies so as to ensure that economic sovereignty is maintained and that the interests of their basic constituents, their national populace, are not damaged.[118]

What ever specific international economic policies are pursued, they must always be guided by specifically nationalist economic objectives, or risk incoherence and failure. This is equally as true of a policy of free trade as it is of autarchical policies. It is, after all, to the wealth of nations, and not specifically to the wealth of the world which Adam Smith spoke of. A subtle distinction perhaps, but an important one none the less. I am talking about reasons for action. Trade would make a nation wealthier, and this was the reason he offered for why that nation should trade. Even with Adam Smith we see the primacy of national economic well being over considerations of global economic efficiency. To be sure, he spoke at great length about global economic efficiency, but this was just one more reason why a nation would prosper. This nationalism inherent in his arguments is still found, of course, in latter day liberals. Ask any free trader in any country why he is in favour of free trade, and the response invariably comes in parochial terms: 'Because it will make

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[118] Little and McKinlay, 149-50.

us better off', *'The nation* will be strengthened', or maybe *'we* will leave a heritage of economic strength and vitality to *our* children'. But these are all, be it noted, very much mercantile ideas. It should be conceded that one does occasionally hear the argument in support of free trade: 'let's have free trade because it will make us both, or all of us (whatever), better off. But these arguments are few and far between, and when they do appear in national debates regarding commercial policy, it is typically only as an afterthought. Now, as in Adam Smith's day, the policy of free trade is always sold through an appeal to some conception of the national interest. The question which begs asking is: 'Is it in fact in the national interest?'

Against Markets

My purpose here is to debunk certain myths concerning the nature of 'free' markets. This is a task of great import. The reader will recall from my discussion of the evolution of realist thought provided in Part II above that a major element of the liberal attack on mercantilism centered on mercantile ideas concerning the nature of the global production structure, both on its own terms and as resting on the global security structure. The mercantiles were held to be mean spirited because of this, and it was shown through purely rational arguments, and of course an appeal to the harmony of interests, that a global production structure free of mercantile machinations allowed to function in its own actual 'natural' way would be beneficent to all mankind, and a source of unity and peace among men. I am alluding here, of course, the doctrine of free trade. Of all liberal ideas, not one was more powerful than that of free trade, and most certainly not one has proven more durable. The idea of free trade often assumes a mythical standing in western liberal democracies, and people often crusade in its name with a zeal of an unmistakably religious character, blindly and unquestionably clinging to it. As a result of exposing the fallacies of free trade, the importance of strife in economic relationships and the logical importance of state will be demonstrated.

My method of attack on the idea of free trade is one of exposing the weakness of its intellectual foundations. These are, as I said, purely rational constructs, offered by one David Ricardo and taken for granted by most every one since that time. The result of basing an idea on a rational construct is that the idea may be criticized through the rational construct. This simplifies matters much, as it will be easier to deal with Ricardo than with the zealots.

But first let me begin by being clear on one important point: the only quality which can be attributed to markets is that of efficiency. Efficiency is a good thing. In a world of scarce resources, it behooves us to manage these resources as efficiently as possible so as to get as much benefit from them as possible, in this way lessening the impact of the very serious problem of scarcity. Markets, when they work as they are supposed to, have proven themselves to be the most efficient means of allocating scarce resources; that is, out of all the various potential norms or rules under which a production structure could operate, none is more efficient than the rule of market.

But that, of course, is really only one quality among a whole host of qualities which we might expect production structures to provide. These are varied and perhaps to some extent a matter of preference, and so I will not bother to name them. If I instead work through the operation of the market, they will become apparent. Markets are, as noted above in the critique of Waltz, of (abstracting out government) individualistic origin, and the players are self-satisfiers. Under free and fair competition, low prices undercut high prices. In this way, the less efficient firms are driven out of business, destined to re-emerge in some way as a more efficient producer in a another line of work, the 'next best' use of resources. And the profits of the efficient firms are whittled away through price competition, to the point where all enjoy zero profit. The economy thus comes to an equilibrium, with all factors of production perfectly compensated, and hence the greatest all-round efficiency. That is how the price mechanism works, and it all starts with price competition. But such competition only produces the desired efficiency result in a given economy if all the economic players stand on an equal playing field. The state may provide this to an individual economy through the rules inherent in national economic policy. For example, the state sets minimum wages, safety regulations, environmental pollution guidelines, and so on. Since all economic players must play by these same rules, they all stand to that extent on a level playing field. And so if one firm is driven out of business by price competition, it can only be because it was less efficient. So far so good.

But what of trade between economies regulated by (more often than not, very) different states? We simply have to observe the price mechanism at work to see what happens. By this mechanism, whichever firms can produce at a lower price than others will drive those firms out of business. But in this case, the operation of the price mechanism says nothing about the efficiency of the firms. For under free competition, goods made with high-wage labour inputs will be more expensive, and hence lose out to goods made with low-wage labour inputs. A firm subsidized by government will undercut the price of one which is not. A firm free of environmental pollution laws will undercut the price of one which is not and hence must factor the costs of compliance into its production. All of these cases result from factors which have nothing to do with efficiency because free competition where there is not one government is not fair competition. There is no level playing field, and hence the price mechanism cannot be expected to produce efficiency. As J. M. Culbertson summarizes:

> In a world of diverse nations, international competition is necessarily unequal competition. It is competition in which the firms and workers of the various nations are playing by different rules. In general, competition under unequal rules is degenerative competition; permissive regulatory laws and lower standards drive out better laws and higher standards. It pulls all international competitors towards the lowest common denominator and ultimately toward economic anarchy. Thus, international trade in recent years has been unequal-rules trade in which high income nations run trade deficits and lose desirable industries and jobs to low wage nations. Nations with high standards in environmental protection, worker safety, and other forms of social regulation find their products undercut by nations that avoid these costs.
>
> International trade based on such disparate rules is not a source of economic efficiency. Free trade does not benefit each trading nation. In the short run, it commonly benefits one nation at the expense of the other. The long run effects,

> except under special circumstances, are destructive to all nations.[119]

So who ever said that they were not? David Ricardo, and here I come to the heart of the matter, the rational construct upon which the doctrine of free trade is founded. Ricardo, as is obvious from the economic analysis given above, needed an argument for why it is that free competition between nations might work differently than free competition within nations. Some argument, it must be, which has to do with the operation of the price mechanism, so that absolute differences in price would not undercut the firm in a nation which had higher absolute input costs. In other words, there must be some explanation of why it is that absolute advantage does not have the same effect in international trade as it does in a normal market. This explanation is the rational construct to which I referred above, the famous theory of comparative advantage.

By the theory of comparative advantage, absolute differences in input costs between nations are irrelevant to the trade between them, all that matters is the price ratios of various inputs *within* each nation. It is through a comparison of these ratios that the pattern of trade between nations is established, and it is because the relative factor is the input price ratios, rather than the absolute price of the finished good, that the operation of the price mechanism in international trade does not destroy the firm with the high input costs. This is the lesson one gets from the exposition of comparative advantage given in any standard principles textbook in economics.

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[119] John M. Culbertson, "A Realist View of International Trade and National Trade Policy" *New York University Journal of International Law and Politics* 18, no. 4 (Summer, 1986):1124. 1119-36

But, Culbertson observes, common sense in fact prevails: "It must be recognized that the doctrine of comparative advantage is false. In truth, trade that crosses national boundaries has the same kind of effect as other trade."[120]

To see where the problem with comparative advantage lies, one must explicitly consider the famous example of the doctrine in operation which was provided by Ricardo himself well over two hundred years ago, and drilled into the head of every first year economics student since. In his classic example, high wage England trades with low wage Portugal, and yet both nations benefit from trade. To represent the disparities in labour input costs, I will standardize in terms of dollars. Then we could represent their input costs per unit of output, say, cloth and wine, as follows.

Labour Cost/ Unit Output

	Wine	Cloth
Britain	10	30
Portugal	5	5

Portugal has an absolute advantage in both wine and cloth, because of its cheap labour. It can produce cloth at a sixth the cost of Britain, and wine at half the price. But, trade does not proceed along these lines. Portugal has a comparative advantage in cloth production, and Britain has a comparative advantage in wine production. Portugal, by trading cloth, can get two units of wine for only five dollars, as opposed to the autarchical case of getting only one unit of wine for five dollars. Britain, by trading wine, can get a unit of cloth for twenty dollars worth of labour (two units of wine), as opposed to the autarchical case of getting a unit of cloth for thirty dollars (three units of wine). Thus trade proceeds in a mutually beneficial manner, and "the example supports the desired conclusion

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[120] ibid, p. 1128.

But something is very wrong here. This is not free trade at all:

> In Ricardo's example, trade is assumed to be in balance. But free trade is not balanced ordinarily. For trade to be balanced implies that low wage Portugal cannot sell to high wage England more than it buys from it. Portugal, therefore, cannot, on net, draw away English industries and jobs and cause an increase in English foreign debt. The requirement that trade be balanced nullifies the potential power of low wage Portugal to do this. *Thus, the requirement that trade between the two countries be balanced makes absolute costs irrelevant and causes trade to be governed by comparative advantage.* [italics added] Comparative advantage does not apply to free trade, but only applies to trade that must be in balance.[121]

What the theory of comparative advantage really amounts to, therefore, is not an intellectual justification of free trade, but rather one of extensive commercial policy. For it is also implicit in Ricardo's example that the trade package has been approved by representatives of both Portugal and England. Or, in plainer language, that the trade is treated in expressly mercantile terms, that is, international trade as trade *between nations as such,* and not between various firms of different nations, conceived of in terms apart from their nations, as in the liberal understanding of international trade. Only in this way could we suppose that it is *structured* so as to be in balance, an unnatural condition. If it is balanced, then gains from increased economic efficiency will accrue to both nations, as advertised, and this in itself is enough to support the idea of mutual gains from trade.

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[121] ibid, p. 1129.

Of course, not every aspect of international trade can be covered by official trade agreements. But in that case, trade must be kept in balance through various other devices at a nation's disposal, so as to *force* the principle of comparative advantage to become operative. If jobs are being lost in some first-rate industry to foreign low wage competition, then there is a host of familiar restrictive commercial policies which can be used to combat this phenomenon: tariffs, quotas, licensing schemes, and so on.

Part IV

7. Conclusion

This paper has chronicled the evolution of realist thought from mercantilism to modern realism. The doctrine of liberalism played a crucial role in this development. The liberals conceived of 'political' as pandering to or protecting the interests of the rich merchant. This could only be an aberration of nature, because protecting the interests of one against another is unnecessary as all interests naturally coincide. Due to this basic harmony of interests within human relationships, there can be no role for government in these relationships, and no room for debate within the polity as to what modes of production are best, or what distribution of resources makes the most sense, and no discussion of values or priorities, because all such questions are determined by free markets. For this reason, the liberals sought to restrict the 'political', and held that government should not look to protect any particular interests, but rather 'keep the ring' in such a way that all interests could look after themselves in a mutually beneficial fashion. They thus came to presuppose government and the order as part of the necessary but somewhat distasteful business of 'politics'. The real day to day action in human affairs, and that which is good about them, falls within the domain of 'economics'.

The modern realists acquiesced in this separation of politics and economics. Whereas the mercantilists had treated both issues of production and security as 'high' politics, the modern realists came to treat the former as somehow tangential to their central endeavor, understanding the latter.

This is precisely the effect of the idea of power politics: only issues arising from strife are immediately relevant, and genuinely cooperative relationships elude the realist because he has no real basis from which to consider them, and so they are allowed to fall under the rubric of 'economics'. The liberal mistake which provoked the realists was the supposition that man had developed to the point where 'politics' no longer mattered. What the realists did in response was to focus on security and the order, and the way in which states defined it - what they held to be the stuff of politics. But the day to day action of human affairs, how people work together and produce, fell beyond their purview, because the element of power is not always apparent in such relationships, being present only as a background factor. In other words, this 'background' became their central problematic, and movement beyond it is not possible within the power political framework. The realists thus confined their attention to the 'political' world, and proceeded to analyze in a realistic fashion 'political' relationships. 'Economic' factors were not considered as part of the dynamic process of relations among nations, and when they were considered at all it was typically only as attributes which define a state's ability to play at power politics. Had they not proceeded along these lines, realists might have been less susceptible to the criticisms which were increasingly levelled at them in the 1960s and 1970s as the tight bipolarity of the post-war era began to fade away, and as 'military-political' issues came to seem of less import. Whenever this happens economic issues inevitably push their way to the fore-front of international relations: as the visible manifestations of strife recede, relationships among states where the element of power is less obvious will grow in prominence, and demand our attention. Any 'political' approach incapable of dealing directly with such issues must therefore become increasingly inadequate.

The mercantilists would not have been so vulnerable to the accusation of obsolescence which comes with changing trends in international relations, and the reason for this, at root, is that they begin with a different conception of man than did the modern realists under the influence of liberalism. The mercantilists, like the modern realists, focussed at great length on evil of man and its consequences, but recognized it in terms of an overall duality and malleability of his nature. A seemingly inconsequential distinction, but one which allows the mercantilist to break out of the constraints imposed by the power political mold. The mercantilist is able to focus on issues arising from man's cooperative nature as well as his evil side. Or, in terms of the artificial distinction, he is able to focus equally well on both 'politics' and 'economics'. For both the mercantilist and the modern realist, the political theme is the central one, and it is for this reason that they may both properly be said to be part of the realist tradition. But for the mercantilist the political theme is central because the fundamentals of security are prerequisites for orderly social existance and cooperation of any sort, whereas for the modern realist one gets the sense that security itself is the ultimate end of policy.

Because security logically takes precedence in the study of international relations, it was asserted that the single most important determinant of the character of international relations was the particular constellation of military forces in existance at any particular point in time. This represents in capsule form both the state's intentions and capabilities. The absense of the element of intention is what is wrong with balance of power theories in general, and specifically, as I noted, with mechanistic conceptions of international relations such as Waltz's neorealism. To remove the element of intent from the study of international relations is to miss the idea of state as orderer. States exist for no reason other than to impose on human relationships a measure of harmony. Their power creates the framework within which cooperation may go forward. It is for this reason that an understanding of the intentions of the states at the top of the 'anarchic hierarchy' is indispensible to an understanding of international relations. They define the international security structure, and hence in effect order international relations. Through the idea of a security structure, one arives at an *ex ante* conception of power, which is consitent with the notion of a hierarchy of international relations.

But it is, of course, a fallacy to suppose that military power is all that there is to power, for power is a complex and multi-faceted concept. One aspect of this complexity considered here was the economic dimensions of military power. That there are economic dimensions to military power is the result of the fact that security and cooperation are inextricably intertwined, the chicken and egg dilemma in the question of what lies at the heart of orderly human existence. Military relations, the cornerstone of the security structure, are themselves dependent on the production of wealth, which must to some extent be the result of cooperation. Military power is largely an economic output, and as I argued above with respect to the Soviet Union's foreign economic policy towards other second world nations, economic policy itself easily becomes security policy, and it is often difficult to distinguish the effect of economic relationships from military relationships.

This inter-relatedness of politics and economics is the reason why, in a nutshell, the realist approach to the study of international relations is equally useful in considering international productive relationships as in international security relationships. It is equally true of international productive relationships that we can speak of hierarchies, defined in terms of power disparities. The idea of economic interdependence emphasizes the importance of hierarchy to an understanding of the international production structure. To the extent that some countries are more able than others to handle interdependencies to specifically national advantage, it was argued, the fact of increased interdependency serves only to bind states together in an unequal production structure. Non-state actors within the production structure play according to rules determined mostly by the *ex ante* power of the key states in this structure. It is for this reason that states remain important even as, for example, the role of the multinational corporation expands. But to the extent that markets do in fact 'get away' from states (as it has been argued by many that the Eurocurrency markets have) this serves only to increase the importance of state as the only entity capable of checking their chaotic character. Even the intellectual foundations of the liberal order of international free markets actually prove - on closer inspection - to be calls for states to pursue nationalist economic foreign policies.

It is fitting to end this discussion with a final consideration of the usual formulation of mercantilism: one of 'power and plenty'. I said in the summary of the meaning of mercantilism that states pursued 'power and plenty' as an ultimate end of policy, and that this was in fact synonomous with the idea of security. However, it is a much wider security than that which the modern realists speak of. For these theorists security is a narrow and negative concept: "the absence of a possibility of a threat to survival."[122] But states do not typically have to deal with threats to their very survival, and they want, at any rate, security of more than just survival. They want security of markets, security of alliances, security of living standards, security of independence, security of status, and so on. Basically, all the things which are 'good' for the state, it wants to maintain with some measure of security; it wants to be able to reasonably hope that the things which benefit it today will still be here tomorrow. This is, in a nutshell, where the modern realists are deficient. Their approach to international relations really only deals with half of what is important about them. They can only handle the 'political' issues which are by their nature limiting and extreme. Mercantilism handles these issues, but it also handles the more mundane and day to day aspects of international relations, because it unites 'power' and 'plenty', 'politics' and 'economics'.

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[122] Lawrence B. Krause and Joseph S. Nye, "Reflections on the Economics and Politics of International Organizations," in C. Fred Bergsten, and Lawrence B. Krause, eds. *World Politics and International Economics* (Washington, D. C.: The Brookings Institution, 1975), 330

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